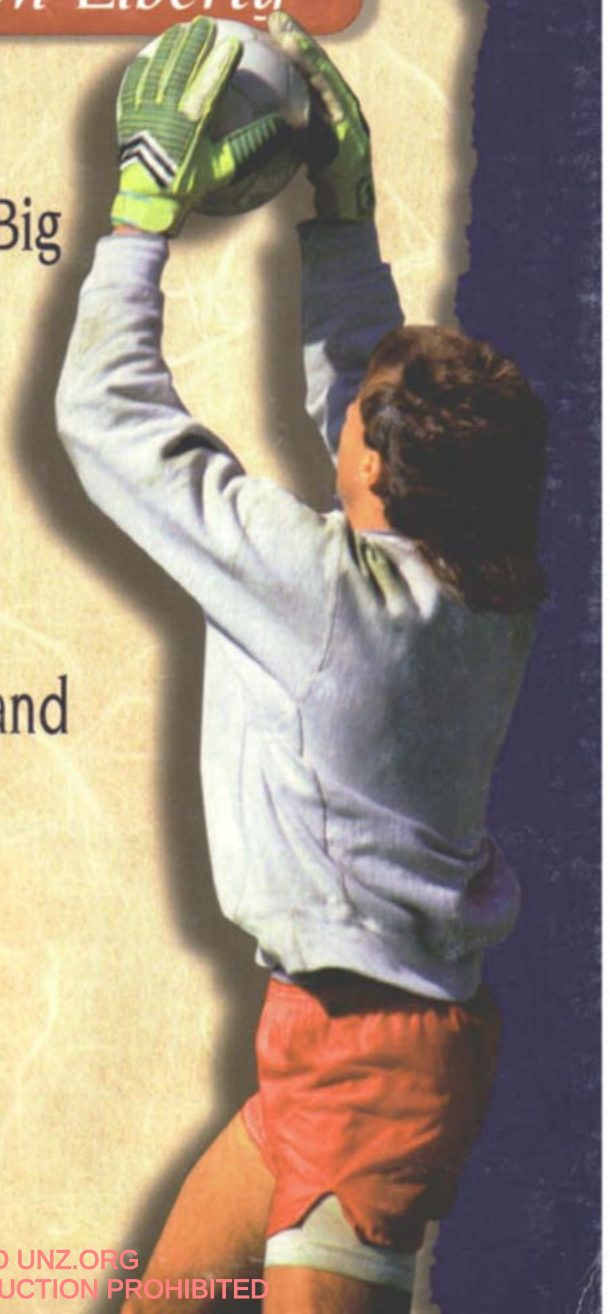
# THE FREEMAN

Ideas On Liberty



- Market Reforms Score Big in Soccer
- East Asia's Crises
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DECEMBER 1998

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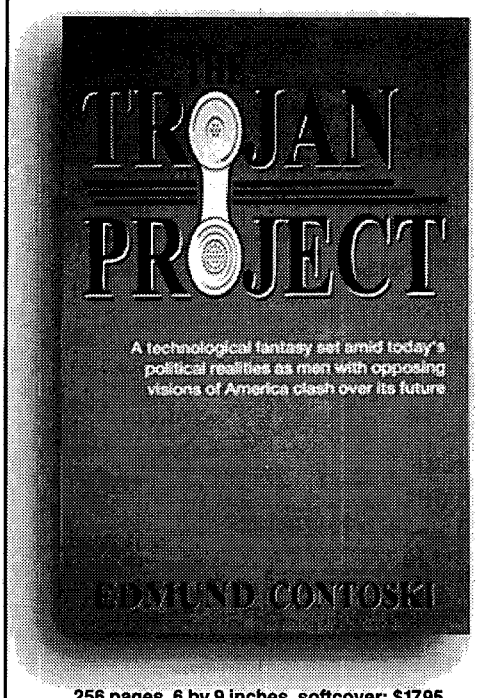
THE
TROJAN
PROJECT
A technological fantasy set amid today's political realities as men with opposing visions of America clash over its future
EDMUND CONTOSKI

256 pages, 6 by 9 inches, softcover: $17.95
ISBN 0-9655007-5-6

A novel of intrigue about reshaping America. One man stumbles on a plot to take over the U.S. government by a high-tech means without the public even realizing there has been a takeover. Then he learns that a murder has already been committed to protect the secrecy of the plot—and that his own life is now in danger as well as the future of the nation! How he saves himself is a lesson in the power of moral action, and his solution for saving the U.S. will be of interest to everyone concerned about the future of this country.

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Published by
American Liberty Publishers
Box 18296
Minneapolis, MN 55418
PHONE: (612) 789-3908
FAX: (612) 788-7282
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This reviewer rarely reads fiction books, but was so impressed with Contoski's nonfiction title, *Makers and Takers*, that I ordered *The Trojan Project*, a novel about one man's discovery of a computer 'virus' that affects people as it spreads through the nation's telephone network....[The author] keeps you in suspense from the outset.... Once the plot thickens, the 'virus' enters, and a lady is introduced, it becomes even more engrossing....*The Trojan Project* is a gripping tale of intrigue. Should [the hero] expose the secret project [to manipulate the virus to take control of the U.S. government] at the risk of their lives and his family's lives, or should he collaborate...to use the virus to reform America? That is the question. Contoski here takes advantage of his environmental, investment and economics expertise, incorporating vast information into how America could be reformed, by including real problems of the government today—laws, facts and experiences of real people. The story has a surprise ending and is a lesson in moral action as well. While *The Trojan Project* is touted as a novel of intrigue, it can also be classified as a 'factional' book."—A. Heath Jarrett, editor *Jarrett's Journal*

"*The Trojan Project* is entertaining, informative, and engaging. Easy to pick up, and hard to put down, *The Trojan Project* grips the reader from page one and won't let go!"
—*Midwest Book Review*

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—Diane Donovan (former book review editor for the *Chicago Tribune*) in *Reviewers Bookwatch*

"*The Trojan Project* is a high-tech mystery set in Minneapolis and Washington, D.C. It has everything.... Summed up simply, it is an engrossing novel about one man's effort to protect himself and his family while helping society in general and as a consequence.... There is plenty of suspense and mystery to keep the reader involved and libertarian philosophy is sprinkled liberally throughout. Upon finishing *The Trojan Project* the reader has been through an intriguing novel and a short course in how our government started and how we got where we are.... Put a few copies on the gift list for your friends who are apologists for big government. This is one libertarian book they will read and perhaps it will cause them to think."
—Rich Osness in *Minnesota Libertarian*

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THE FREEMAN
Ideas On Liberty
December 1998 Vol. 48, No. 12

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THE FREEMAN
Ideas On Liberty

Published by
The Foundation for Economic Education
Irvington-on-Hudson, NY 10533
Phone (914) 591–7230 FAX (914) 591–8910
E-mail: freeman@fee.org
FEE Home Page: http://www.fee.org

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The costs of Foundation projects and services are met through donations, which are invited in any amount. Donors of $30.00 or more receive a subscription to *The Freeman*. For foreign delivery, a donation of $45.00 a year is suggested to cover mailing costs. Student subscriptions are $10.00 for the nine-month academic year; $5.00 per semester. Additional copies of this issue of *The Freeman* are $3.00 each.

Bound volumes of *The Freeman* are available from The Foundation for calendar years 1972 to date. *The Freeman* is available in microform from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, MI 48106.

PERSPECTIVE

## Reports of the End of History Are Grossly Exaggerated

The disintegrating Russian economy has emboldened the Bolshevik remnant. There's been talk in the duma of re-nationalizing industry. Could Francis Fukuyama have been wrong when he declared that, with the fall of communism, history had reached its end?

I think so. But I thought he had erred even before the Russian communists began their latest agitation. Contrary to the "end of history" school, the fall of communism at the turn of the decade did not end a great ideological debate. It began one. Or should have.

The debate we need is between individualism and statism. It should have taken place much earlier in this century, but communism distracted us. The opponents of communism were a disparate lot who agreed on little else but that total state control of economic affairs, and its attendant political terror, were bad things. When communism disappeared, the disagreements within the opposing coalition revealed themselves. Before, the contest was between communists and anti-communists (including a variety of "mild" socialists); today, the contest is between mild socialists and libertarians, or true liberals—between those who would use organized force for something other than simply defending individual rights (including, of course, property rights) and those who oppose all such non-defensive use.

The terms "left" and "right" are not helpful here. It is too easy to find people who embrace those labels advocating coercion against those who themselves do not violate rights. The left wants to stop people from smoking tobacco. The right wants to stop people from smoking marijuana. The left wants to stop so-called hate speech. The right wants to stop so-called obscene speech. The left wants to regulate what people can do with their land. The right wants to regulate what people can do with their persons. Sometimes, as in the Microsoft antitrust case, they agree to unite in their persecution of peaceful conduct.



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In contrast, the libertarian proposes to let people go about their peaceful business unmolested. He doesn't do so in a fog of moral agnosticism. On the contrary, freedom, properly conceived, is grounded in a moral certainty: that each individual owns himself and therefore should be free to think and act peacefully—and even to err—without shifting the consequences to others.

It's time to get on with the real debate.

* * *

You can't open a newspaper without reading about the economic woes of the Asian countries. Predictably, much of the commentary blames those woes on an excess of capitalism. Christopher Lingle, who's spent time in that part of the world, says the problem, alas, is too little capitalism.

We close our observance of the 100th anniversary of the birth of FEE's founder, Leonard E. Read, by reprinting his article elaborating the nature of true glory as defined by Pliny the Elder.

The contrast between how private and government agencies treat "customers" can be dramatic. When Andrew Morriss and his wife decided they wanted a dog, they got a first-hand lesson that left a lasting impression.

The benefits of true liberalism can be found in the unlikeliest places. European countries have dominated world soccer in recent years. Jacobo Rodríguez traces that success to pro-market reforms on the continent.

We live in a time of contradiction. The private market's unprecedented wealth and progress exist side by side with government depredation and threat. Bruce Yandle surveys both sides of the ledger and wonders if a new golden age lies ahead.

This month is the anniversary of the American Bill of Rights and the United Nations Declaration of Human Rights. The two documents are often lumped together, but Richard Stevens shows they could hardly be more different.

Do libertarians care only about economics? That's a common criticism made by intellectuals of the left and right. Using three prominent examples, Tadd Wilson demonstrates that the criticism is unfounded.

This year was the 100th anniversary of the Spanish-American War, America's first large-scale foray into imperialism. Historian Burt Folsom recounts the government's ineptitude and scheme to fund the war. He sets the stage for William Graham Sumner's passionate protest and warning that is still worth reading.

Our columnists again have come up with riveting topics: Lawrence Reed wonders what all the trade-deficit fuss is about. Doug Bandow warns against letting the military move into civilian service. Dwight Lee explains how enforced minimum prices create surpluses. Mark Skousen marvels that goods are getting cheaper all the time. In "The Pursuit of Happiness," guest columnist Jon Sanders catalogues what's wrong with legislating the "proper." And Thomas DiLorenzo reads a Harvard professor's description of the tobacco industry and cries, "It Just Ain't So!"

Our reviewers scrutinize books on such issues as personal freedom, gun control, medicine, cable TV, and the ethics of liberty.

—SHELDON RICHMAN



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# It Just Ain't So!

Harvard University law professor Einer Elhauge argued in the *Washington Post* last summer that free-market economists who oppose the multibillion-dollar tobacco litigation have made a big mistake. Professor Elhauge writes that opponents are apparently unaware that for the past 40 years the tobacco companies conspired in order "not to independently market safer tobacco products" and "to withhold product safety information" (August 4, 1998).

This "market failure" supposedly justifies the political plundering of the tobacco industry through war-on-drugs–style regulation of tobacco products, extortionate tax increases, and having the government instruct jurors in tobacco liability cases that they are to assume that smokers bear *no* responsibility for their smoking-related health problems. To Elhauge, a free market is not really a market free of government intervention; it is a market in which antitrust regulation is pervasive and stands in the way of price-fixing, quantity-fixing, or quality-fixing conspiracies. But the history of the cigarette industry proves that Elhauge's assertions could not be farther from the truth; the free market *did* lead to better quality cigarettes until the good professor's cherished regulation put an end to decades of vigorous quality competition.

## Cigarette Advertising

That the cigarette companies vigorously competed on quality before regulation impeded them has been painstakingly documented by economist John E. Calfee, a fellow at the American Enterprise Institute, in "The Ghost of Cigarette Advertising Past" (*Regulation* magazine, Summer 1997) and his 1997 book, *Fear of Persuasion: A New Perspective on Advertising and Regulation.* In the 1950s, before the Federal Trade Commission (FTC) started regulating cigarette advertising, the tobacco companies used health as an effective means of promoting one brand over another. This competition led to rapid improvements in cigarettes in light of the new research on the health effects of smoking that was being developed in the 1940s and '50s.

According to Calfee, cigarette ads from the 1920s to the early 1950s included such slogans as "Not a cough in a carload"; "Not a single case of throat irritation due to smoking Camels"; "Smoking's more fun when you're not worried by throat irritation or smoker's cough"; "Lowest tar of all low-tar cigarettes"; "Today's Marlboro—22 percent less tar, 34 percent less nicotine"; "Why risk sore throats?" and "less tar and more taste . . . they said it couldn't be done." This kind of advertising was so pervasive that in 1953, *Business Week* wrote that the tobacco companies were "screaming at the top of their lungs about nicotine, cigarette hangovers, smoker's cough . . . and kindred subjects."

The industry's claims were not just talk. Tar and nicotine levels declined by nearly 40 percent between 1957 and 1959, Calfee writes. Nothing like that has happened since. In the 1950s both *Consumer Reports* and *Reader's Digest* published monthly health ratings on cigarettes that carefully noted which brands had improved. Epidemiological studies in later years showed that these tar and nicotine reductions led to roughly proportionate declines in death rates from smoking-related disease.



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## Regulation Ruins Health-Based Advertising

It was the arrogant heavy-handedness of FTC bureaucrats, not the free market, that was responsible for the decline in health-based advertising in the cigarette industry over the past four decades. In the early 1950s the bureaucrats convinced themselves that all brands of cigarettes were identical and filed numerous "deceptive advertising" claims against the tobacco companies for their ads that made reference to coughing, lung health, and the like.

Incredibly, Calfee points out, in 1950 the FTC declared that smoking cigarettes "is not appreciably harmful" and that health-based advertising was therefore fraudulent. The FTC also decided it was technically impossible to manufacture a cigarette with less tar and nicotine than another. It ordered the tobacco companies to "cease and desist" such advertising.

But the FTC rule prohibited health-based advertising claims only for *existing* brands of cigarettes. The tobacco companies ingeniously evaded this restriction by creating *new* low-tar and low-nicotine brands. That fierce quality competition came to be known in industry circles as the "tar derby."

By the late 1950s, as scientific evidence on the link between smoking and lung cancer mounted, the tobacco companies responded by increasing the share of the cigarette market accounted for by filtered brands from 1 to 10 percent and advertised "healthier" filtered brands heavily. Individual companies sought to gain market share with their advertising by scaring smokers about their competitors' brands.

That so-called "fear advertising" was successful for some firms, but overall cigarette sales began to fall—an outcome that the industry certainly wanted to avoid. It was free-market competition that led to that result. When the FTC further regulated cigarette advertising, it reduced the degree of competition and the amount of health-related advertising, and slowed the decline in U.S. smoking rates.

In 1960 the FTC ruled that all tar and nicotine advertising was illegal, eliminating such ads for several years. After making this declaration, Calfee writes, the FTC also deceptively announced that the industry had adopted a "self-imposed Cigarette Advertising Code." Of course, it was not "self-imposed"; the FTC would have sued the industry had it not adopted the government-sanctioned code. Consequently, during the early 1960s all cigarette ads spoke only of flavor and pleasure.

After the Surgeon General's Report on smoking and cancer in 1965, the FTC changed its position again and permitted advertising references to tar and nicotine—but it was illegal to link these substances to health. In 1970 Congress banned all cigarette advertising on television and radio, ending once and for all the free market in cigarette advertising.

In sum, Professor Elhauge is dead wrong. When the free market was allowed to work, there was vigorous quality competition in the cigarette industry, which produced an enormous amount of information about the health hazards of smoking. The FTC's interventions may well have been part of a conspiracy, however: the industry's "fear advertising" *was* causing a drop in the incidence of smoking, which the industry wanted to reverse. If the industry did in fact conspire with FTC bureaucrats to eliminate health-based advertising, the lesson is that such conspiracies can only work if they are organized by corrupt government regulators; they are impossible in the free market. Professor Elhauge, read your history. □

—Thomas J. DiLorenzo
Professor of Economics
Loyola College, Maryland

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# East Asia's Crises: Toward a New Growth Paradigm?

by Christopher Lingle

The current crises affecting much of Southeast and East Asia are rooted in the failures of political and corporate governance in the region. While this observation may point to a simple truth, the solutions will not be easy to implement. This is because the financial and currency crises reflect deeply rooted institutions that themselves reflect local cultural conditions. In turn, there can be little hope for speedy implementation of the fundamental changes that will be necessary to make operation of the economies of the region compatible with the requirements of a free and open international marketplace. Consequently, restoration of stability to the region's economies will not come quickly, while recovery may be many years off and is likely to result in much slower growth.

The recent turbulence in regional markets sharply contradicts the World Bank's report on East Asia's "miracle" economies suggesting that their governments "got the basics right." If economic and political fundamentals had been sound for the countries in the region, there would be no discussion about financial and currency crises there.

One likely casualty of these crises is the myth that interventionist or authoritarian governments can effectively shepherd economic development. Until recently, advocates of "Asian values" insisted that the rapid growth in the region was evidence of a superior political system. Another related notion was also fatally damaged by the turmoil that began with the devaluation of the Thai *baht* in July 1997. In the future, suggestions that political connections can substitute for commercial risk analysis or can inoculate investments against market realities will have little credibility. Just ask anyone with business dealings in Indonesia who sought partnerships with the Suharto clan.

## A Common Thread

While there may be no single "Asian model" associated with the rise of East Asia's economies, a common thread in the political culture in these diverse countries can offer insights into their recent problems. Specifically, the economic and political institutions throughout the region are insufficiently responsive to the demanding climate of the global economy. The dominant political culture that guided economic and administrative structures reflected the specific agenda of a given ruling party or regime and was rooted in conservative local traditions.

To generalize the ungeneralizable, political arrangements in most of East Asia relied on a collectivist, or communitarian, approach to governance. As such, the interests of the greater community, mostly as interpreted by some elite, were placed above individual rights and freedoms. In turn, expressions of individualism were deterred by such admoni-

*Christopher Lingle, an independent economist and consultant, is the author of* The Rise and Decline of the Asian Century *(University of Washington Press, 1998). His e-mail address is crl@po.cwru.edu.*



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tions as "the exposed nail is hammered down" and "society above self."

The dominant sense of the collective is seen in assertions that Asian governments and regional institutions rely on principles of consensus-building and a strong preference for harmony. At the same time, success in life or commerce depends on personal and political connections rather than commercial viability or economic rationality. These relationships readily give way to corruption and cronyism. Indeed, surveys of business leaders involved in global commerce by Transparency International indicate that the most corrupt regimes are in Asia.

## Out of Sync with Global Capitalism

Some of the political and economic arrangements in East Asia have a venerable history and may have served noble purposes in the past. Like institutions in other parts of the world, they emerged out of local conditions and were appropriate for the times. Unfortunately, the current crises imply that those institutions do not mesh well with the requirements of global markets. Such markets work best in the presence of individualist-based institutions that operate in conditions of greater corporate accountability and political openness. Even in a market-based society, reliance on personal relationships limits the extent of economic exchange and opportunities. In a modern political context, dependence on political connections invites endemic corruption and may allow for extensive nepotism. At the same time, authoritarian regimes attempt to justify repression on the basis of enforcing cultural traditions of harmony and respect for authority.

The most demanding components of the ongoing globalization of the economy are free and generally unfettered international capital flows and competitive markets. These are the outgrowth of the Thatcher Revolution and the "Big Bang" reform of London's financial markets in 1982. Unfortunately, the political and corporate culture in most East Asian countries militated against the development of domestic capital markets that might have allowed their economies to weather the competitive storms that have washed over the region. Most governments purposely sought to control credit allocation, which was principally directed through banks. Restraints on the emergence of free and open capital markets better fit the policies of directed development.

Financial markets in most of the region were underdeveloped, inefficient, and weak because the visible hand of government preempted the invisible hand of market forces. Consequently, there was little disclosure and almost no scrutiny of institutions that were under the protection of the ruling governments. The real cost of non-economic transactions or unsound loans could be more readily concealed.

## Government's Misleading Signals

There were several operational consequences of East Asia's underdeveloped domestic financial markets. One consequence was that much of the internal financing of commercial and development projects was channeled through the domestic banking system. Another was the greater dependency on foreign capital to provide liquidity to the domestic financial system.

Government-directed investment misleadingly signaled domestic financial institutions that the projects involved low-risk or no-risk commitments of capital since they would bear the imprimatur of ranking officials. A heavy reliance on bank lending instead of capital markets is problematic since bank managers or directors can be more easily swayed by political pressure. In contrast, large numbers of independent private investors in capital markets demand greater access to information and require greater accountability before offering up funds. In essence, financial markets in most of East Asia were politicized and so commercial risks were ignored because of a promise of protection by political connections. This may have worked while growth rates were high over past decades, but it is now painfully clear that political connections cannot protect investors from downside risk.

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As suggested, the inhibitions of capital markets were consistent with the political culture of the region. Authoritarian governments sought to exercise tight control over the flow of economic information. Most countries in the region followed or enforced traditions of collectivist institutions; governance by consensus often created an illusion of harmony. In these settings, criticisms of economic conditions or policies tend to be suppressed, and independent corroboration of government data was unlikely or impossible. When investors and traders have difficulty getting information, markets are more prone to rumors and misinformation. Greater volatility results.

## Tough Battle Ahead

Faced with deep and intractable problems in putting their economic and financial houses in order, East Asian economies have a difficult uphill battle. Most will seek to cut prices to export their way out of their predicaments, but other producers both in and outside of the region will contest their traditional markets. Meanwhile, foreign investors will impose higher standards before committing funds to East Asia.

The shared aspects of East Asia's political culture created flaws in the institutional infrastructure of the "miracle" economies. Consequently, they were ill prepared to withstand the external shocks generated by inevitable global capital flows. The rigidity of conservative political institutions led to policies that interfered with the self-adjusting mechanisms of local economies. While restoration of stability in the East Asian economies will be difficult, the slow pace of institutional change will make recovery an even longer process. Indeed, it may take a generation before some East Asian economies can achieve the institutions required for the sustainable economic growth demanded by the increasingly efficient global capital market. □

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# Glory Be!

by Leonard E. Read

"True glory consists in doing what deserves to be written; in writing what deserves to be read; and in so living as to make the world happier and better for our living in it."

—PLINY THE ELDER

The Roman naturalist Pliny the Elder was born in 23 A.D. When he passed away at the age of 56, he had written 37 books on the nature of the physical universe—including geography, anthropology, zoology, botany, and other related subjects.

Pliny did, indeed, leave the world happier and better for having lived in it. He lived every moment of his life with zest—enthusiasm—perhaps the greatest stimulus for noble works. Wrote Emerson: "Every great and commanding movement in the annals of the world is the triumph of enthusiasm. Nothing great was ever accomplished without it."

The following is an attempt to think through and to understand Pliny's three parts of True Glory. If even partially successful, I will make a small contribution to the displacement of that which should be neither written nor read.

*Leonard E. Read established FEE in 1946 and served as its president until his death in 1983. This article is excerpted from an essay that originally appeared in the December 1978 issue of* The Freeman. *It is the twelfth (and last) in a monthly series commemorating the 100th anniversary of Mr. Read's birth.*

*True glory consists in doing what deserves to be written.* It consists in noble deeds worth recording. This is to be distinguished from blatant notoriety. History presents far more writings of the latter sort than the former. Alexander the Great, Charlemagne, Napoleon, Hitler, Stalin, and countless other great destroyers loom too large in written history.

Why these lopsided recordings? It is the bad, not the good, that attracts the public eye. Observe today's media and the preponderance of reporting that does not *deserve* to be either written or read, spoken or heard.

In my study of writing that deserves to be written, I've been surprised that most of the world's great writers—past and present—never kept a daily journal. Obviously, they had other disciplines that brought out their remarkable writings. We are all different in all respects. As for me, I have kept a journal for nearly 27 years without missing a day—capturing every thought that comes to mind or that I have learned from others—a rewarding experience. What a discipline—writing such entries for nearly 10,000 days!

Recently I came upon my entry of August 11, 1955, long since forgotten:



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If it were not for the gravitational force pulling us down, there would be no such concept as "up."

If there were no darkness, we would have no sense or appreciation of light.

If there were no evil, we would have no awareness of virtue.

If there were no ignorance, we would not know intelligence.

If there were no troubles, there would be no aspirations.

If there were no insecurity, we would not know of security.

If there were no blindness, we would not be conscious of perception.

If there were no poverty, we would not experience riches.

If no man ever imposed restraint on others, *there would be no striving for liberty and the term would not exist.*

I now recall discovering, just a few days later, while reading Dagobert Runes's *Treasury of Philosophy*, that around 500 B.C. Heraclitus was saying the same thing: "Men would not have known the name of justice if there were no injustice." This made me laugh at my "originality" and brought to mind Goethe's assertion: "All truly wise ideas have been thought already thousands of times."

Assuming the above observations to be valid, then "doing what deserves to be written" is learning how to cope with and overcome life's countless obstacles. It is an observed fact that the art of becoming—human development—is composed of acts of overcoming.

Obstacles are assuredly the source of aspirations. Human frailties—which lead to such things as governmental interventions of the kinds that destroy creative activities—inspire their own overcoming. Why, then, do errors have their value? Their overcoming leads to evolution—human liberty!

*True glory consists in writing what deserves to be read.* There are countless thousands of books, articles, and commentaries that deserve to be read. The vast majority of these writings are known to a mere handful of people. I shall refer to only one that is an inspiring and instructive example: *You Are Extraordinary* by Roger J. Williams.

Professor Williams, a noted biochemist, became convinced that his wife's death was caused by the doctor treating her as "an equal," rather than as an individual. This led the professor to his first study in human variation, having to do only with the variation in taste buds in different people. The findings, published in *Free and Unequal*, are fantastic.

Having an unusually inquiring mind, he began an investigation into ever so many other forms of variation. The findings appeared in 1956: *Biochemical Individuality*, somewhat technical for lay readers. Nevertheless, I read it with avidity, because it contained an important key to the freedom philosophy. It was this book that led to my acquaintance with the author.

We corresponded, and after answering a question of mine he added that he had just written a book, to be entitled *You Are Extraordinary*, designed, he said, for lay readers. The manuscript was enclosed.

Professor Williams was extraordinary. So are you and so am I and so is each human being. Indeed, no one is the same as a moment ago. Variation is a rule of all life—plant, animal, and man.

Once variation is recognized as a fact of life, there can be no endorsement—none whatsoever—of know-it-alls controlling the creative actions of you or me or anyone. Authoritarianism dismissed as utter nonsense! We would witness hosts of public officials reduced to a mere fraction thereof. All but a few would return to that wonderful status of *self-responsible* citizens—America's miraculous performance on the go again.

*True glory consists in so living as to make the world happier and better.* How do we live to make others happier and better? Here are a few guidelines, mostly gleaned from others:

- Stand for and staunchly abide by what is believed to be righteous—seeking approval from God, not man.

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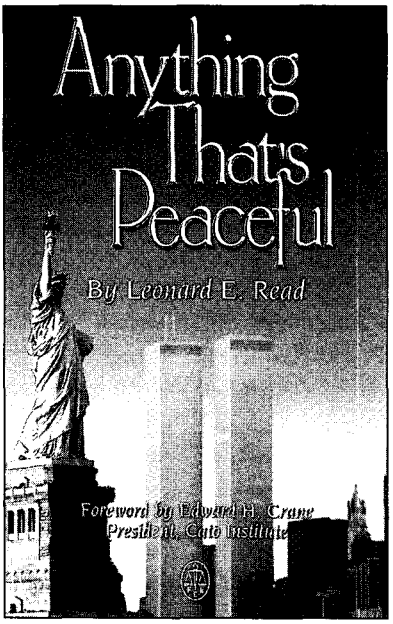
- Strive for that excellence in the understanding and explanation of freedom which will cause others to seek one's tutorship. This brings happiness to both the striver and the seeker—and the world!
- Live with zest and enthusiasm. Nothing great was ever accomplished in the absence of such spirit.
- Be optimistic. This does not mean a blindness to dictocrats lording it over us. Rather, it is self-assurance that a turnabout is in the offing. The world is not going to the dogs as the prophets of doom proclaim. Optimism increases happiness for it is contagious.

To serve truth and freedom is as high as we can go. When more of us than now attain this intellectual and moral height, the path toward glory will open:

*Glory to God in the highest, and on earth peace, good will toward men.* □


## Anything That's Peaceful by Leonard E. Read

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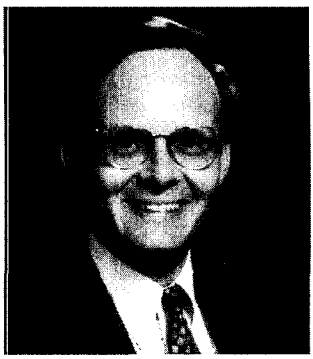

# The Trade Deficit: Much Ado About Nothing

I have a dirty little secret that I want to share with readers of *The Freeman*. It's about a nagging problem I have had for a long time. It just never seems to go away. Heretofore, I have not wanted to admit to this problem in public because the newspaper headlines remind me monthly that this sort of thing is bad and it's embarrassing. But I'm going to come clean, hoping that maybe someone out there can help me.

My problem is this: I have a trade deficit with J.C. Penney. That's right. Month after month, I buy more from J.C. Penney than J.C. Penney buys from me.

In fact, J.C. Penney has never yet bought anything at all from me. It's been a one-way street right from the day I got my credit card in the mail. And I don't expect that this is going to change any time soon because the retail chain shows no interest in buying my chief export, which is columns like this one. It just doesn't seem fair.

I've actually considered several options. Each one would probably reduce or eliminate my trade deficit with J.C. Penney, but some wise guy always points out new problems each of these scenarios might create:

- I could get Congress to force the company to buy enough of my columns to offset what I spend in its stores. But the more J.C. Penney buys from me, the less it will be able to buy from others, which will only increase *their* trade deficits.
- I could get Congress to force J.C. Penney to cut its prices so that I won't have to spend as much to get what I want. I thought that might at least reduce my deficit, but at lower prices I might actually be tempted to buy more. Or J.C. Penney might come under fire from the antitrust people for dumping its goods below cost.
- I could simply quit buying from J.C. Penney. That would really teach them a lesson. But then, doggone it, I *like* what I've been buying from them. If I boycott them, wouldn't that be like cutting off my nose to spite my face?

Of course, I don't really mean any of this. As a free-market economist, I know that there's a fourth option here and it's the only one that makes any sense: I should ignore this "problem" and never pay any attention again to whatever the trade situation is between J.C. Penney and me, except to pay my bills on time. America as a whole should do essentially the same thing. We should fire the people in Washington, D.C., who compile the numbers, and the problem will go away.

Every month, the U.S. Commerce Department releases the official "balance of trade" figures showing the difference between the value of merchandise that enters the country and the value of merchandise that leaves the country. If imports exceed exports, America has a trade *deficit*, which sets off alarm bells in Washington. If exports are greater than

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imports, we're all supposed to celebrate because that's a trade *surplus*.

By this logic, draining the country of all goods and accepting none from abroad would be the best possible trade news. We wouldn't be able to celebrate, however, because we'd all starve. But at least the government's books would register one heck of a trade surplus.

This trade-deficit silliness is a throwback to the less enlightened times of sixteenth-century mercantilists. They argued that a nation must never buy more from foreigners than it sells to them because that would produce an "unfavorable balance of trade" that would have to be settled by an outflow of gold or silver. The mercantilists wrongly assumed that gold and silver were the real wealth of a nation, not goods and services. They were also wrong to render value judgments about other people's trading activities. The fact is that there can be nothing "unfavorable" about voluntary trade from the point of view of the individuals actually doing the trading, otherwise they would not have engaged in it in the first place.

The principle that both sides benefit from trade is readily visible when it involves two parties within a country; it somehow becomes confused when an invisible political barrier separates the parties. Neither the mercantilists of yesteryear nor those who fuss about the trade deficit today have ever satisfactorily answered this fundamental question: Since each and every trade is "favorable" to the individual traders, how is it possible that these transactions can be totaled up to produce something "unfavorable"?

To return to my initial example, I benefit when I buy from J.C. Penney or I wouldn't keep doing it. The folks at J.C. Penney benefit as well because they would rather have my money than the stuff they sell me. We're both better off because we have a trade relationship, which is why neither party ever complains about it. This would be no less true if J.C. Penney happened to be a company from Japan or Uganda.

America's trade deficit with the rest of the world made headlines regularly in 1998 because it broke at least one quarterly record. The Asian depression was one reason. Plagued by weak economies, Asians purchased fewer American goods. The fall in the value of many Asian currencies made goods from places like Japan and Indonesia cheaper here, where a relatively strong economy had already boosted American demand for foreign goods. No one who actually engaged in the transactions that produced the trade flows between the United States and Asian countries did so because they wanted to hurt themselves, yet the trade deficit alarmists say that those traders somehow hurt this country.

Ultimately, the dollars that went abroad to pay for imports will come back to buy American exports. But even if they didn't—in other words, even if goods come here and dollars go there to simply stuff foreign mattresses—Americans with their supposedly harmful trade deficit would have the better end of the deal. We would get goods like VCRs and automobiles, and foreigners would be stuck with slips of paper decorated by pictures of dead American politicians.

Forget the trade deficit. We should occupy ourselves with more important things, like the next sale at J.C. Penney's. □

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# Pound Scum

by Andrew P. Morriss

With 7.5 million dogs and cats euthanized each year in U.S. animal shelters, it's hard to be turned down when you try to save one from the gas chamber. But my family managed to be turned down, making us "pound scum." Our trip through the world of dog adoptions and purchases teaches some valuable lessons about private and public enterprises.

When we set out to adopt a dog we thought we were just the types of owners anyone would want: my wife is a veterinarian, we are experienced dog owners, and our schedules often allow one of us to be at home so our dog would not be a "latchkey" pet. Because we didn't want our future pet to become a stray, we needed a fence. After investigating several alternatives, we settled on an invisible fence. A wire is buried around the perimeter of the property; a collar worn by the dog administers a mild shock if the dog tries to cross the wire. We spent hours talking about the product with the salesman who, hoping for referrals, worked hard to persuade my veterinarian wife that the fence was safe, effective, and humane. With the fence on order, we were ready to get a dog.

Our first stop in our search was the Animal Protective League (APL), a private charity. Their building was clean, the walls lined with photos of pets and plaques honoring donors. The staff was friendly and helpful but the APL didn't have any dogs that fit our needs. So we left and headed down the street to the county pound.

*Andrew Morriss is a professor of law and associate professor of economics at Case Western Reserve University in Cleveland, Ohio.*

## The World of Bureaucracy

Although just a few hundred yards away, the county pound was worlds apart from the APL. Uniformed employees wandered aimlessly about, chatting with one another and ignoring the people peering into cages. Nonetheless we found a dog we liked. Five or six pound employees were milling about in the hall, but it took several minutes to find one willing to help us, a sharp contrast to the friendly, helpful folks next door at the APL. An animal-control officer finally gave me a form to fill out; after I completed it, he sat me down in the hall to interview me.

One of the questions on the form asked if our yard was fenced. When the animal-control officer noticed our plans for the fence, he refused to continue the interview. "I really got chewed out for letting someone with one of those adopt a dog," he told me. "You'll have to talk to my supervisor." We pointed out that officials of the National Association of Humane Societies use this type of fence, but he was unmoved. We offered to cancel the order for the fence. Didn't matter.

Ironically, it turned out we didn't need a fence at all—it appears that just about anybody except those who mentioned the words "invisible fence" could adopt a dog. Once you



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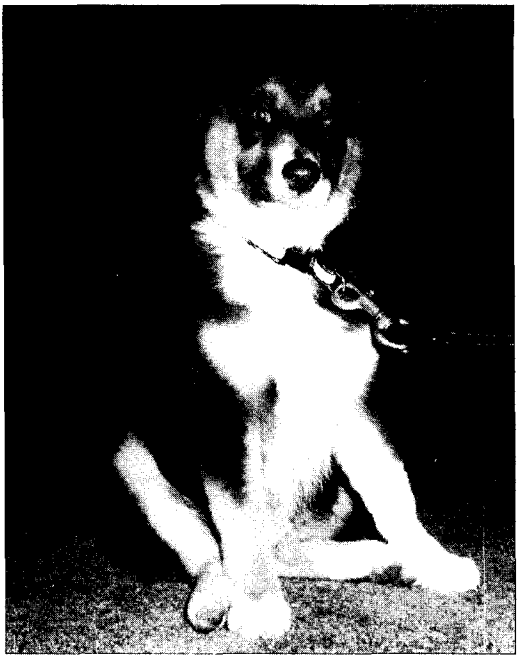
said those words, however, there was nothing you could do but talk to a supervisor. Of course, there was no supervisor available on Sunday; she was away until Tuesday. (When our fence salesman talked to the pound supervisor later that week, she denied there was a policy against the product.)

## The Private Breeder

Our final stop was a private dog breeder. What a difference! She spent about an hour talking with us, evaluating how we interacted with her dogs, and discussing our plans for the puppy. Only then did she agree to sell us a pup, an Australian Shepherd whom we call Cinnamon.

Our experience says a great deal about the differences between private and public enterprises. At the pound we were treated like obstacles to a quiet day; at the private charity and the business we were treated like customers. The county employee arbitrarily enforced a non-existent rule and preferred leaving a dog at risk of death to getting "chewed out." The APL and the breeder wanted to know about the kind of home we would provide the dog. While I'm sure most folks at the pound love animals or they wouldn't be working there, bureaucratic incentives get in the way—avoiding reprimand, not saving dogs, becomes the goal. With over 60 percent of dogs in U.S. shelters euthanized, that's a disgrace.

But it's not just dogs and their owners we need to worry about. Our society regularly faces choices between public and private means, from welfare to education. The same incentives that made us "pound scum" threaten our neighbors in the welfare system and our children in public schools. Whenever we have the opportunity to rely on private means to provide services, we ought to do so in order to keep others from being treated as we were. While my family is fortunate enough to have the economic means to escape such treatment usually, others are not. We need to be open to alternatives to public enterprises. Unless we are willing to condemn the least fortunate among us to treatment as "pound scum," we can't afford not to be. □



**Cinnamon now happily resides with the Morriss family.**

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# Market Reforms Score Big in Soccer

by L. Jacobo Rodríguez

Last summer, European nations once again asserted their dominance of world soccer at the World Cup in France. That dominance culminated with a surprise win by France over Brazil in the final game. Since 1986, when the World Cup adopted its current playoff system, only four non-European teams have made it to the quarterfinals of the quadrennial tournament: Mexico (1986), Argentina (1986, 1990, and 1998), Cameroon (1990), and Brazil (1986, 1994, and 1998).

At the club team level, European dominance is even more impressive. European leagues—in particular, those of England, Italy, Germany, and Spain—are by far the most competitive in the world, attracting the best players from around the globe. For instance, the whole starting lineup for the Argentine team plays in either the Spanish or the Italian leagues; six of 11 starters for the Brazilian team also play in Europe, and another three played in the continental leagues until recently. One of the best European club teams, Barcelona, sent 11 players to the World Cup. The European leagues have become to soccer what the National Basketball Association is to basketball: the only place where players can get an accurate measure of their talents and skills and achieve superstar status. That was not always the case. Pelé, the greatest soccer player of all time, never played for a European club team.

What accounts for Europe's recent dominance of the sport? Organized soccer has been played on the old continent for about a century now, and teams have well-organized farm systems in which players acquire from an early age the discipline and physical fitness necessary to play competitive soccer. But while that may account for the emergence of European stars, it does not explain why non-European players want to go to Europe to prove themselves. At least part of the answer lies in market-oriented reforms, particularly in the media and immigration.

## The Commercial Spirit

For starters, clubs need money to sign the best players, foreign or domestic. Until the mid-to-late 1980s, only a handful of teams in Europe could hire the top players from South America and from other European countries. Today almost any team playing in the first division of a top European league has the resources to sign world-class players.

Teams today get the lion's share of their revenues from television contracts, advertising fees, and merchandise marketing. In addition, some English teams have gotten an infusion of capital by becoming publicly traded corporations, an example that other European teams are following. The lucrative TV contracts became possible because of the emer-

*L. Jacobo Rodríguez is assistant director of the Project on Global Economic Liberty at the Cato Institute. This article is a revised and expanded version of an article published in the* Wall Street Journal Europe *on July 16, 1998.*



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gence of private television networks in many countries of continental Europe. Networks always had been exclusively government owned and operated. However, beginning in the mid-1980s, the proliferation of direct-broadcast satellites put a de facto end to that monopoly.

Thus, technological advances—and the spread of satellite dishes—led to the deregulation of television, which opened the door for soccer leagues to negotiate lucrative contracts with different TV networks, much as professional sports leagues in the United States do. In the case of Spain, for instance, deregulation occurred in 1990, and one of the private networks immediately signed a deal with the Spanish first-division league for exclusive broadcast rights of Sunday night games in an attempt to gain a significant market share.

Second, as revenues increased, the artificial barriers to the hiring of foreign players were for the most part removed. Today, players from any European Union country can play in the league of another EU country and count as domestic players. And non-EU players who have been playing in an EU league for a number of years also count as nationals, often taking advantage of liberal naturalization laws that apply to players from former colonies of a European country. Finally, the maximum number of non-EU foreign players per team has been increased from two to three or four, depending on the league. All in all, such measures have had the effect of bringing the supply of talented foreign players more in line with the demand for them.

TV networks have also profited from the removal of artificial barriers to hiring foreign players. Fans in the players' home countries avidly follow the action. The European leagues and networks have been able to sell broadcasting rights to networks in those countries, especially in South America. Of course, the greater exposure has probably had the effect of driving up advertising fees, providing additional revenues to the networks and the leagues.

The third factor is cultural, not political. Talented players are willing to move from one team to another, even if the latter team is in another country. That is a simple but crucial fact. Not only are South American, eastern European, and African players going to western Europe to play against the best, but players also move around *within* the European Union, which is very unusual for EU labor markets, where institutional and cultural barriers to labor mobility are well documented.

Market-oriented policies such as TV deregulation, flexible labor markets, and salaries determined by the interplay of market forces have allowed Europeans to be in a league of their own when it comes to soccer, an activity they are very passionate about. One can only hope EU leaders, realizing what freer markets have done for soccer, will push for more reform to help other sectors of their often rigid economies and to stop the drain of human capital. □

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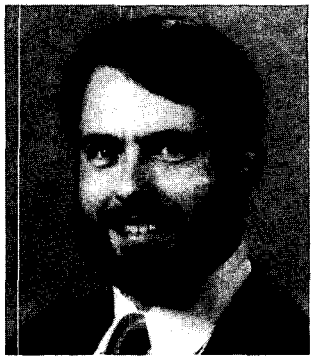

# Service Muddles in Washington

For presidents and generals, the Cold War made military policy easy. The U.S. armed forces had to contain the Soviet Union; everything else was secondary.

But no more. The world may be dangerous, but it isn't particularly dangerous for America. With the Pentagon still at Cold War levels—adjusted for inflation, U.S. defense spending is as high as in 1980—what should the armed services do? That was the question posed at a recent West Point conference on the relationship between civilian and military service.

As if further evidence of the accuracy of public choice economics was needed, the proceedings showcased proposals for cooperation, coordination, and perhaps much more between the Pentagon and civilian "national service" programs, particularly AmeriCorps. Why not deploy the armed services to deal with all manner of other "national security" problems, such as education?

This debate is possible only because we are living in a post-Cold War world where the Pentagon doesn't have much important work to do. The United States and its allies account for 80 percent of the globe's military spending; Washington's enemies are few and pathetic; America's prosperous allies can defend themselves; the failed foreign societies around the globe pose no threat to our own.

The search for new tasks is bureaucratically awe-inspiring. NATO is viewed as a means of integrating former Warsaw Pact members into the West. U.S. troops in Okinawa are said to help stabilize South Asia. The U.S.-South Korean alliance is now touted as a check on China.

Then there's the Selective Service System. Created to conduct a speedy mass mobilization, Selective Service has been left without a purpose by the collapse of the Soviet Union and the Warsaw Pact. Even the Pentagon has said that it could do without registration.

But Selective Service is nothing if not creative in coming up with new reasons to survive. The administration says registration provides insurance—against what is not clear. Advocates declare that it deters despots from using nuclear weapons—apparently 7,000 nuclear warheads are not enough. And the program supposedly promotes civilian-military relations—as if signing a card at the Post Office generates patriotism.

Still, Selective Service realizes its vulnerable position. Last year it admitted that "with the downsizing of the Federal government, the Selective Service System can no longer dwell on its proud past or bet on the threats of tomorrow. The System must be of proven value to America today and every day."

Thus, the agency proposed a half-million-dollar "Serve America" initiative to publicize AmeriCorps. Argued Selective Service Director Gil Coronado, the "traditional role of Selective Service offers a natural opportunity to promote voluntary service to America in

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AmeriCorps, as well as in our military." Apparently we now need military registration to encourage civilian "service." Congress refused to appropriate the money, but Selective Service still hands out the AmeriCorps phone number to young men forced to register.

Mixing military and civilian service is far more likely to promote a bureaucratic empire than meet citizen needs. The problems with the AmeriCorps approach go beyond the usual government waste. Federal funding is likely to warp even the best groups, causing them to lobby for additional assistance and to shape their programs to win government support.

Moreover, AmeriCorps further shifts decision-making from average people across the country to the political process. As Marvin Olasky has pointed out, the definition of "compassion" was once to "suffer with" by becoming actively involved in the lives of those one was attempting to assist.

In this century the definition changed, first to mean writing a check, which absolved people of the painful requirement of human interaction, then to making other people write checks. While AmeriCorps may be a better means of assisting the poor than the panoply of past welfare programs—what wouldn't be?—it further distances people from those they are supposed to be serving. Instead, people should directly fund and oversee private organizations.

These are all good enough reasons to oppose government "national service," no matter how well intentioned. But another reason for caution is the likely impact on the military from expanded civilian service and "cooperation" between the two.

Military service differs from civilian service in several key ways. First, it is service to the national community. It is seen as almost the definition of patriotism. Civilian service, in contrast, is service to a particular person, although there may be social benefits from, say, teaching literacy. Second, soldiers have what is essentially unlimited liability anywhere around the world. They can be sent into dangerous, even life-threatening, conditions anywhere. Third, they voluntarily accept restrictions—such as the prohibition on quitting—that apply to no other job. Finally, defense is one of government's few mandatory functions; paying people to work in charities is not. Even if the latter seems cost-effective (and funneling funds through government certainly is not), it should not be allowed to interfere with the government's performance of its defense function.

Joining the military has always been viewed as an act of citizenship, and not just service. Establishing an alternative form of government service dilutes the unique quality of military service. Obviously the civilian marketplace already creates significant competition for the military. AmeriCorps and its siblings would go further, offering an official alternative to young people who want the challenge of "service," while reducing the likelihood they will enlist in the armed forces. This is especially true when military service means constant deployments away from their families in order to implement a foreign policy of social work. It is one thing to accept the cost and risk of military service to help defend America from a foreign threat. It is quite another to join, say, to maintain a unified Bosnian state against the wishes of most of its inhabitants. Even the patriotic-minded are less likely to join in those circumstances. True, the military is too big today, but even a smaller force would suffer the loss of a few thousand high-quality recruits.

Civilian service is important, but it needn't be organized and funded by government. At the same time, military service should continue to be recognized for its unique role. The armed services should be downsized to reflect the diminishing threats to America and the Pentagon should focus on defense.

Separating civilian service from government is likely to give us more service, the kind that more effectively meets critical individual and national needs. And it will provide service in a manner that best reflects our heritage of liberty. □

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# The Golden Age at Risk

by Bruce Yandle

What a wonderful world! Wait a minute. What about the Asia meltdown and declining stock market values? What about horrible ongoing civil wars and terrorism that plague large numbers of people on the planet? What about scandals in high public office? Impeachment? Wonderful?

In spite of all this, we know that more people are experiencing freedom than ever before. Think about it. Just a short time ago, Eastern Europe was a walled community; ordinary people were unable to move their families from one province to another, let alone to cross country lines or venture forth to the land of the free.

I shall never forget seeing Czech families making their way on the autostrada in Italy in 1991, proudly displaying cardboard signs telling the world that they were free. The story has been repeated for millions.

Free markets are burgeoning where command and control once dictated the who, what, and when of production and consumption. The power of contracts, property rights, and gains from trade are lifting and spreading incomes and wealth.

Consider our routine activities. We have almost unlimited access to information, goods, and travel. There are spot and futures markets for things as diverse as natural gas, electricity, stock market averages, and even permits to emit sulfur dioxide. We go online to buy automobiles, airplane tickets, and financial derivatives.

We can swap e-mail messages in the dead of the night. In split seconds, contracts are negotiated, deals are made, and the rights of contracting parties are respected in the rough and tumble of the marketplace. Goods, capital, and people move to the four corners of the globe with less government interference and friction than ever before. Incomes are rising rapidly; wealth is being created. Life expectancies are increasing, and the world is getting cleaner.

## The Other Side

This is one side of the ledger. But, alas, there is another side.

While we can design, build, and sell new products with relative ease, we must think more than twice before cutting down a juniper tree that may be listed as potential habitat for an endangered species. The wiser course of action says we should first get permission from a federal agent. Unloading a truck of builder's sand on a new home construction site can land us in the federal penitentiary, unless we first have federal permits. Building duck ponds without permission can yield penalties more severe than manslaughter. Sending a small amount of chemical waste to a local recycler can generate liability for cleaning up an entire landfill.

*Bruce Yandle is Alumni Professor of Economics at Clemson University and Senior Associate at PERC (Political Economy Research Center).* *This article is adapted from a lecture given at the April 25, 1998, Chicago meeting of the Philadelphia Society, later reprinted in* Vital Speeches of the Day.



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Taking steps to build a home on land initially zoned residential but later rezoned can lead to an uncompensated loss of the entire investment. Making an effort to plow and plant a dry field that was temporarily covered by a flooding river can lead to lessons learned about wetlands violations. Setting aside land for a retirement home can be frustrated if there is a possibility that a golden-cheeked warbler may decide to locate there.

While we live in a veritable Garden of Eden on the one hand, we live as peasants on a feudalistic manor on the other. And the baneful lord of the manor is not bashful when it comes to command and control.

Superfund, wetlands, endangered species. How did the lord of the manor become so powerful? What happened to property rights? What happened to liberty?

## Property Rights and the Constitutional Order

Time prevents a complete rendering of the story. Understanding what happened requires us to reconsider the important and precious foundation stones of this wonderful republic, to remember the vital constitutional constraints that set in motion the most powerful story of human action the world has ever witnessed.

Our Founders knew much that is now seemingly forgotten. They knew from bitter experience that for human beings to be free, for the free spirit of man to soar, there must be basic protections that limit the powers of the government. They understood the difference between rules of law based on just conduct and wisdom of the ages, and rules of politics based on expediency, concentrated power, and special-interest struggles.

They knew that for markets to flourish—for wealth to be created, preserved, and accumulated—property rights had to be protected. More than words on parchment, the Constitution they penned formed moral and legal constraints believed necessary to limit the heavy hand of government. They wrote in the Constitution: "Nor shall private property be taken for public use without just compensation."

Property rights. Why are they so important? Deep in the genetic material that forms human life, instincts lie buried calling for survival, reproduction, and conservation of energy and resources. Over the millennia, human beings who survived and prospered devised rules, customs, and traditions that protected the stuff of life. The rules were simple: You do not reap where you have not sown. You do not eat unless you have contributed. You do not impose unwanted costs on your neighbor, nor he on you. Property rights formed the foundation for moral behavior and markets. And government was invented for the purpose of protecting those rights.

The Founders did not put a happy face on government as we do now. They knew that government was not Santa Claus. They understood that self-interest—the natural human desire to improve position and family—could be channeled beneficially by rules of law, property rights, and free-market forces. They knew from experience that those same motivations are perverted by the rule of politics. Special-interest groups driven by self-interest will tilt the hand of government in their direction. Instead of working the soil, factory, and field to produce new wealth, the special-interest groups will work the halls of Congress and transfer wealth to themselves from the unorganized, unwitting common man.

## Leviathans One and Two

The constitutional containment delivered by the Founders lasted for almost 100 years. Then, at the turn of the century, roughly 100 years ago, the rules changed. Marked by the 1887 Act to Regulate Commerce and the rise of the Interstate Commerce Commission, then by rules for regulating food and other products, the federal government took on new powers that limited competition, provided monopoly protection, and transferred wealth across special-interest groups. The genie was out of the bottle. The first American Leviathan was born. But while government flexed its new regulatory muscles, the industry regulation that emerged did not systematically destroy bedrock private-property rights. That was to come later, delivered by the environmental revolution in the late 1960s and early 1970s, the advent of Leviathan Two.

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The environmental revolution cut through and across the property-rights fabric that formed the market economy. The new social regulation that emerged regulated industries and functions within each and every plant, factory, field, and mine. Command-and-control, technology-based regulation emerged in the fine print of the Federal Register. The rule book grew thick with regulations affecting water and air, waste disposal, reconstruction of closed mines and wells, landfills, tree-cutting, waste disposal, homebuilding, and chemicals from birth to grave. The creative energies of America's brightest and best entrepreneurs were diverted. Energy previously devoted to finding new and better products and services, making markets, and reducing costs became focused on regulators, regulation, and ways to avoid costs and gain political favors.

And who supported this massive effort? Dedicated environmentalists with true concerns about the biological envelope that supports all life; quasi-environmentalists who saw an opportunity to stop economic development in its tracks; bureaucrats who found enriched careers in regulating; politicians who found new markets for their services; and some industrialists who found it easier to compete in Washington for political favors than to slug it out in competitive markets. The famous iron triangle emerged full-blown.

## Baptists and Bootleggers

And what was the glue that held it together? An alliance of "Baptists" and "bootleggers." (These labels hark back to the tacit alliance in the old battles for alcohol prohibition; the Baptists wanted liquor outlawed because it was sinful, while the bootleggers silently supported them because legal liquor threatened their business.) Those who take the moral high ground in appealing for rules they believe will protect the earth are the "Baptists" in the story. The "bootleggers" are the businessmen who let the Baptists fight their battles for them knowing the result will be regulations that raise competitors' costs, limit the entry of new competition, and shield them from common-law suits that previously protected the property rights of ordinary people. If government was going to regulate, then let's get the right regulation, the one that favors us.

What do we have? Rules that limit the emissions of sulfur dioxide to fight acid rain, even though the scientists who studied the issue said there was no acid-rain problem. Rules that give a black eye to industries that must publicize emissions of more than 600 chemicals, in pounds, even though all industry taken together produces just 17 percent of the total emissions. Rules that set stricter controls on new and expanding plants while grandfathering older ones. Regulations that favor one fuel over others. Endangered-species protection that limits timber-cutting on government land, raising the price of timber and the profits of firms that cut on their own land. The list could go on.

Quite understandably, firms and industries that live in this age of regulated capitalism have invested in the rules and stand to lose when the rules are revised. They quite logically support the Leviathan, hoping always to bring down costs once the favors have been won. And just as understandably, there are the politicians who seek to harvest a political commission each time they pass favors for special-interest groups.

Any effort to deregulate raises the wrath of the favored groups. Is it any wonder that Congress is unable to take meaningful action to eliminate Superfund, the program that produces lots of litigation and hardly any cleanup? Is it any wonder that Congress is unable to pass a property-rights protection bill? Should we be surprised that Congress cannot completely modify the Endangered Species Act in ways that reverse incentives, making exploration, production, and conservation of species attractive endeavors instead of deadly activities to be avoided at all costs?

## Houses Built on the Sand of Politics Will Fall

Societies that fail to protect fundamental property rights are destined to fail. We are no exception. But why?

Rapidly expanding global markets, advances in technology, the unavoidable need

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to reduce costs, the failure of old smokestack regulation, rising incomes, and a veritable property rights rebellion are combining to force change. In the absence of meaningful international competition, U.S. firms can gain from costly regulations that cartelize industries. When technological change is slow and obsolescence rates even slower, firms can gain with command-and-control, technology-based regulation. Eventually, the true environmentalist begins to wonder what it's all about. If air and water quality is no longer improving, if Superfund sites are caught in a deadly gridlock that accomplishes nothing, if firms are required to spend huge amounts on trivial problems and little on more serious ones, eventually, environmentalists say "enough." Rapidly rising incomes generate demand for real environmental improvements that cannot be and are not being delivered by central authorities. And when countless ordinary people find that rights to use their land in customary ways are challenged and taken without compensation by regulatory authorities, they rebel. The house built on sand comes crashing down.

## The Property Rights Rebellion

Led by westerners fed up with increased interference with traditional land rights, hundreds of grassroots organizations nationwide reminded politicians of the Fifth Amendment prohibition against taking private property for public purpose without just compensation. Failing to get satisfaction in Washington, the movement turned to the states. Today, 24 states have passed some form of property-rights legislation, and legislation is pending in seven others. The geographic pattern that results is interesting. The Pacific northwest and Rocky Mountain states have all passed property-rights laws. Just four western states have failed to respond. By contrast, the northeastern states have done practically nothing. In urban America, it seems, property rights are not an issue. City folks commuting on morning trains to New York, Hartford, and Boston know little about wetlands, Superfund, and endangered species. Indeed, they know little about the importance of basic property rights to land. Opposition to compensated takings comes understandably from the urban areas—the organized interests that support zoning, planning, and government ownership of environmental resources.

There is friction in the workings of the property rights movement, but its force cannot be denied. Recognizing this, regulators have changed their behavior. They have backed away from the more blatant and arbitrary enforcement of rules. And gridlocked Washington is getting the message.

Following in the wake of the property movement, we see a devolution of environmental protection to the states, where politicians recognize that they cannot keep investors from building and expanding facilities elsewhere. When it's cheap to vote with your feet, politicians sometimes see the light.

But if the house of regulation falls, will another, even stouter one take its place? Will property rights be more secure?

## America's Golden Age

I leave these important questions on the table momentarily to tell you about the prospects for America's coming Golden Age. Think with me for a few minutes about this country 100 years ago, and then let us compare that time with the one we now face.

Three major forces played through the economy a century ago. The first was massive waves of immigration—the largest seen in our history. People came to these shores looking for a better life, seeking opportunity to work and build. Wages fell. Prices fell. Incomes rose. Second was the technological revolution: electricity, petroleum, moving assembly lines, interchangeable parts, transportation, and communication. Finally, there was a massive restructuring of firms and industries: efficiency-enhancing mergers, consolidations, alliances, spin-offs. The decades that followed delivered America's first Golden Age: rapid increases in income and wealth. Improvements in basic living conditions. The emergence of the Great American Bread Machine.

What do we observe today? Massive waves of immigration; a technological revolution;

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cost-minimizing restructuring, mergers, consolidations, and alliances; and the computer-driven virtual corporation.

Is there another Golden Age in the offing? I think so, but that is because I am extremely optimistic. We Americans face a daunting challenge. Along with the positive features mentioned, we also have higher taxes, a mountain of regulation, and a threatened system of property rights. There is a Golden Age in the offing, but its realization is threatened.

## Where Do We Stand?

Let me return to the question: will a stouter regulatory regime replace the one that is falling? This, perhaps, is the most troublesome question, one addressed by the Kyoto Agreement on global warming. Out of that agreement comes an international authority, an international cartel manager, if you will, that seeks to coordinate nations worldwide in production and consumption activities that relate to carbon emissions. This parallels the earlier formation of the U.N. Commission on Global Governance, important elements written into the North American Free Trade Agreement, and the new powers of the World Trade Organization. These fledgling bureaucracies will naturally seek to build a global regulatory regime, a potential threat to property rights, free markets, and the coming Golden Age.

Will the Golden Age emerge? Will enforcement of constitutional constraints be strengthened? Will this time of environmental feudalism come to an end?

These are the questions that seize us. And the answers? The answers depend on what you and I do to strengthen the case for liberty and individual responsibility. □

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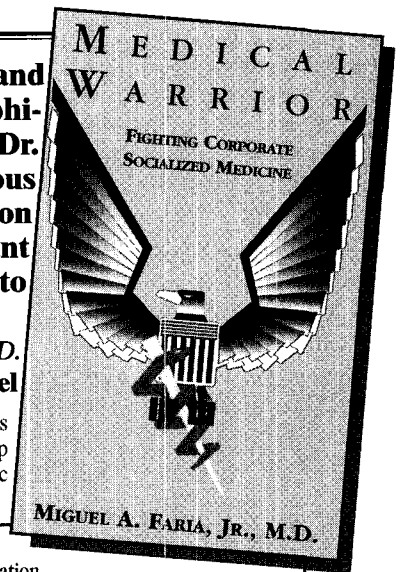

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# No Credit Due

The pundits are bewildered over the public's contradictory response to President Clinton during his recent troubles. Most Americans have a low opinion of his character. Yet at least 60 percent of those polled think he's doing a terrific job and should not resign. How can this be?

Assuming the polling results are accurate, it may be possible to make sense of this strange combination of opinions. First, we can dismiss the theory that most Americans are cynics who care about nothing but the economy or money. Of course, they place a priority on the material well-being of themselves and their families. No one should object to that.

Nevertheless, Americans do think the character of officeholders is important. That's why they frown on the President's admitted moral lapse. If character were unimportant we would not find Clinton's "unfavorables" exceeding his "favorables" in the polls.

Clearly, people have judged the President a scoundrel who nevertheless can do his job well. What needs explaining is the connection between the (so far) good economy and the President's positive job-performance rating. People assume that if inflation and unemployment are low and incomes are rising, the President deserves credit. Why?

One obvious reason is that most people went through government-run schools. Those schools self-servingly teach children that the government is responsible for the well-being of the nation, economic well-being included. History and social studies classes comprise a series of tales in which noble political leaders saved the country from the rapaciousness of greedy businessmen.

Although the federal government has been meddling in our private economic activities for well over a century, the explicit idea that it is the steward of the economy goes back to the Great Depression of the 1930s. That calamity supposedly proved that government is the indispensable glue that holds the economy together. As a result, since the days of Franklin Roosevelt, Washington has openly assumed responsibility for nearly all economic matters. Planners and administrators came to the capital in droves beginning in 1933 and found an abundance of work. When World War II began, they found even more to do through such agencies as the War Industries Board.

The restoration of peace did not send the planners packing. Government agencies were expected to maintain full employment, manage the money supply, finely calibrate the levels of taxation, spending, and inflation, and do all the other specialized tasks that a great economy can't do for itself. Postwar legislation set up the President's Council of Economic Advisers, sending out the unsubtle message that the President was at the helm.

So no one should be surprised that today's generations believe government keeps the economy going or that the President deserves credit in good times. That's what they've heard since they were old enough to understand the language.

*Sheldon Richman is editor of* The Freeman.



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The problem is that it's not true. Presidents, and governments in general, don't make the economy perform well. The economy is individuals engaging in production and exchange for mutual gain. If government abstains from interfering with those activities—to be precise, with property rights and contractual freedom—people will prosper and we will say that the economy works well. There is no active role for government. What we call the market process is self-motivating and self-regulating. It exhibits something that for many people is hard to fathom: undesigned order. Government may maintain the legal framework that facilitates the process, but it cannot successfully run or guide that process. Nor is it required to do so.

We'd be saved a lot of trouble if every child encountered the idea of undesigned order at the earliest moment he was capable of understanding it. But don't wait for it to become a prominent part of the public-school curriculum, because the very idea subverts the case for public schooling. If central planning (or guidance) is unnecessary for creating a complex computer industry, why would it be necessary to create an education industry? There's no more subversive idea than undesigned order.

The existence of undesigned order can't be doubted. Without it there'd be no economics. Pioneering economists created the discipline out of their attempts to explain a regularity that couldn't be denied but for which no planner was responsible. As one of them summed up his observations, "Paris gets fed."

The market order is resilient enough to overcome a good deal of government harassment, regulation, and confiscation. Tenacious, goal-oriented people usually can find ways around the obstacles to prosperity that the political system puts in their way. That admirable feature of the economy unfortunately also creates a problem: it enables Presidents to claim, and win, undeserved credit for economic progress. Presidents are always doing things to the economy: announcing regulatory initiatives, signing bills, pushing new taxes, calling for new spending. If people manage to neutralize the harmful effects of those actions, the President is in a position to take credit anyway: "My economic program was passed by the Congress and millions of new jobs were created. We've grown the economy. My program worked!" Since most people don't know how to do economic analysis, they have no way to challenge that claim. It might never occur to them that the progress they see would have occurred anyway or would have been more impressive had the President's program not been passed. As Israel Kirzner wrote in these pages in October, the conclusions of economic science are counterintuitive. That is politically convenient for incumbents during prosperous times.

Note the asymmetrical conclusion. In good times, political leaders don't deserve credit. But in bad times, they are likely to deserve blame. It works out that way because, absent government interference and major natural calamity, people will create prosperity. Recession, depression, inflation, stagnation, and mass unemployment invariably have political origins.

When we get right down to it, the government really has only two basic choices: impede producers and consumers in their efforts to create prosperity or leave them alone—laissez faire! Goodness knows that President Clinton has pushed through policies—taxes and regulations—that would have created major hardship had we ("the economy") been less resilient. Perhaps he deserves credit for not interfering more. But that would be like praising someone for *not* stealing from us.

Although economic indicators have been favorable the last several years, good times are not guaranteed. Some government policy could bring things crashing down any time. If Clinton's problems have inhibited him from interfering even more with our productive activities, then we should be grateful for the scandal.

Everyone needs to understand that Presidents cannot "grow the economy" or create prosperity. Free people do that simply by going about their business in a legal environment that protects property rights. The most government can do is stay out of the way. If the American people had the economic education they lack, they would see President Clinton in a far different light. □

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THE FREEMAN
Ideas On Liberty

# The "Human Rights" Deception

by Richard W. Stevens

On December 10, 1998, world and national leaders commemorate the birthday of an impostor. The United Nations Universal Declaration of Human Rights turns 50 years old on that date. Because Americans know so little about their own Constitution and Bill of Rights, most do not know that the Universal Declaration destroys both the letter and spirit of the Bill of Rights. So when President Clinton declares that the documents are equally great statements of human rights, as he did last year, few people will protest.

The Bill of Rights, the true statement of individual rights and limited government, turns 207 on December 15, 1998. Unless Americans actively celebrate Bill of Rights Day that day, the proximity of the two anniversaries permits the Universal Declaration to shine as an international protector of rights while the Bill of Rights is largely ignored.[1] To borrow from Gresham's Law, "bad rights drive out good."

## Erasing the Bill of Rights

The Universal Declaration does not require any government to respect any particular individual rights. Instead, it provides, according to the preamble, only a "common standard of achievement for all peoples and all nations." Its "standard of achievement," however, practically obliterates Americans' constitutional rights.

Of the roughly 34 individual rights guaranteed in the U.S. Constitution and Bill of Rights, the U.N.'s Declaration nominally protects only eight. (See Table I.) Five more rights find only partial support in the U.N. Declaration, including the prohibition of bills of attainder, the protection of citizens' privileges and immunities while traveling or living in other states, and the protection against "arbitrary interference" with privacy, home, and family. Fully 21 other American individual rights disappear entirely. (See Table II on the next page.)

**Table I: American Rights Nominally Protected by the Universal Declaration**

| Right | Universal Declaration Provision |
|---|---|
| No ex post facto laws | Article 11 |
| Habeas corpus (no arbitrary imprisonment) | Article 9 |
| Free exercise of religion | Article 18 |
| Freedom of speech and press | Article 19 |
| Freedom of assembly | Article 20(1) |
| Right to life, liberty and property ("due process") | Articles 3, 7, 11(1) 17(1), 17(2) |
| Right to public trial in criminal case | Article 10 |
| No cruel and unusual punishments | Article 5 |

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**Table II: American Rights Lost Under the Universal Declaration**

| |
|---|
| Two witnesses required to convict person of treason |
| No punishment of families of person convicted of treason (corruption of blood) |
| No established government religion |
| People's right to form citizen militias |
| Individual right to keep and bear arms |
| Prohibition on peacetime quartering of troops in private residences |
| Probable cause, oath, and particularity requirements for arrest warrants |
| Probable cause, oath, and particularity requirements for search warrants |
| Grand jury requirement |
| No "double jeopardy" |
| Government compensation for taking of private property for public use |
| Right to a speedy trial in a criminal case |
| Right to a trial by impartial jury in a criminal case |
| Right to a trial in the location where the crime occurred |
| Right to confront witnesses at trial |
| Right to require witnesses to appear in court |
| Right to a lawyer for defense in a criminal case |
| Right to a trial by jury in a common law civil case |
| Right to have a single jury decide a case |
| No excessive bail in criminal cases |
| No excessive fines |

## Universal Power to Plunder

The U.N.'s Declaration not only fails to protect core American individual rights; it also enshrines the power to plunder. Frederic Bastiat, the French economics writer, observed that human beings can satisfy their wants either by "ceaseless labor" or by "seizing the product of others."[2] Government's proper job, Bastiat said, is "to stop this fatal tendency to plunder instead of work."[3] The Universal Declaration runs directly contrary to any notion of a plunder-free society.

By couching itself in the language of individual rights, the Universal Declaration legitimizes the power to plunder. For example, Article 22 declares that "Everyone . . . has the right to social security." The only way that "everyone" can have such a right is for government to force workers to pay for nonworkers' welfare and retirement funds.[4] So the declared "right" of "everyone" to social security requires that national governments institute schemes of plunder.

Using the device of granting "rights" to "everyone," the Universal Declaration mandates many such schemes. The Declaration grants:

> the "right to work"
>
> the right to "just and favourable conditions of work"
>
> the right to "protection against unemployment"
>
> the "right to just and favourable remuneration . . . supplemented, if necessary, by other means of social protection"
>
> the "right to rest and leisure"
>
> the "right to a standard of living adequate for the health and well-being of [the individual and his family], including food, clothing, housing and medical care and necessary social services," as well as health, employment, and disability insurance
>
> the "right to education"

To bestow each of these "rights" on everyone the governments must decide what each citizen is entitled to, how much to spend, what private or business conduct is permitted and prohibited, and then compel the citizens to pay. Massive government intrusion into all facets of human life becomes necessary to implement these "rights" to plunder. After all the systems of compelling and plundering are installed, little can remain of the Universal Declaration's Article 3 right to liberty and its Article 17 right to own property.

None of these plunder "rights" appears in the U.S. Constitution or Bill of Rights.

## Declaration of Government Rights

Beyond granting rights to plunder, the Universal Declaration gives governments nearly total power to dictate all aspects of human life. Article 28 states that "everyone is entitled

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to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized." In other words, the people *must* have a large, intrusive government.

In addition, under Article 26, governments must require each citizen to accept the Universal Declaration's big-government gospel: "Elementary education shall be compulsory [and] shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms . . . and shall further the activities of the United Nations for the maintenance of peace."

Article 29 then imposes on all people the duty to serve the "community" within the "social order" envisioned by the Universal Declaration: "Everyone has duties to the community in which alone the free and full development of his personality is possible." As government defines nearly all of the functions of the community within the social order, including work, leisure, education, and economic decisions, these "duties" are defined by, and owed to, the government.

## Devil in the Default

Both the U.N.'s Declaration and the Bill of Rights contain "catchall" provisions. These provisions explain how governments are supposed to analyze questions about rights and powers that cannot be answered directly from the documents themselves. Nothing shows the difference between the two documents better than comparing those provisions.

Amendments 9 and 10 of the Bill of Rights instruct the government to operate within its limited powers and to leave other powers to the people. The Ninth Amendment states: "The enumeration in the Constitution of certain rights shall not be construed to deny or disparage others retained by the people." The Tenth Amendment states: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." These provisions limit federal power and leave any unexpressed powers and rights to the local governments and the people.

The Universal Declaration defaults in favor of government power. Article 29, section 2, states that individual rights and freedoms are limited by "due recognition and respect for the rights and freedoms of others and meeting the just requirements of morality, public order and the general welfare in a democratic society." Government, under the U.N. Declaration, defines morality, public order, and general welfare. The limitations on rights are to be "determined by law"—which in the Declaration means *determined by the government.* But Article 29, section 3, appears to say that the U.N. may override governments to assure that rights are properly interpreted: "These rights and freedoms may in no case be exercised contrary to the purposes and principles of the United Nations."

Article 30 is ominous: "Nothing in this Declaration may be interpreted as implying for any State, group or person any right to engage in any activity or to perform any act aimed at the destruction of any of the rights and freedoms set forth herein." This Article destroys the right to actively oppose big-government programs. It abrogates the Bill of Rights' guarantees of free speech, press, assembly, and petition for redress of grievances. Article 30 guarantees governments the right to stop people from opposing compulsory education, taxation, social security, the minimum wage, compulsory "public service," and any other government plunder program.

The U.N.'s Universal Declaration of Human Rights bears no similarity to the Bill of Rights. Americans should reject the attempts to lump the two documents together in one annual "human rights week." On December 15 of each year Americans should celebrate Bill of Rights Day by learning more about their rights and teaching others. When Americans understand their precious Bill of Rights, they won't be impressed by the United Nations' dangerous substitute. □

1. Since August 1997, 27 state and local governments have proclaimed Bill of Rights Day. Information about the national Bill of Rights Day program is available at www.jpfo.org or (414) 769-0760.

2. Frederic Bastiat, *The Law* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1950), p. 10.

3. Ibid.

4. See Henry Hazlitt, *Economics in One Lesson* (New York: Arlington House, 1978), pp. 209-210, and Murray N. Rothbard, *Man, Economy, and State* (Los Angeles: Nash Publishing, 1970), pp. 817–18, 829.

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Economics

# Price Floors, Surpluses, and the Minimum Wage

Last month I discussed the distorting effects of government-imposed price ceilings. Not content to limit the disruptive impact on economic decisions to price ceilings, governments are also quite willing to impose floors under which prices cannot legally fall. Like price ceilings, price floors disrupt market cooperation and have consequences quite different from those advertised by their advocates. Before considering an example of price floors—minimum wages—let's examine the problem in general terms.

## Creating Surpluses

The standard downward-sloping demand curve, D, and upward-sloping supply curve, S, are shown in the nearby figure. As discussed in my column on demand and supply two months ago, these two curves determine an equilibrium price, P*, that coordinates the decisions of all consumers and suppliers. At P* consumers want to purchase exactly the amount that suppliers want to sell.

Despite the amazing coordination that results from the equilibrium price, politicians are often convinced by organized interests that some suppliers should receive higher prices. Interestingly, as we shall see, those who lobby for higher prices are not always the ones who will receive them. But regardless of the source of the pressure, the political response is often to impose a price floor, such as $P_F$ in the figure.

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With $P_F$ being the lowest price that can be legally charged, suppliers are anxious to sell $Q_S$ units of the product. But at $P_F$, consumers are willing to buy only $Q_D$ units. The result is a surplus given by the difference between $Q_S$ and $Q_D$. The appropriate response to a surplus is some combination of reduced supply and increased consumption. In a free market, suppliers communicate their frustration at not being able to sell all they would like by lowering the price they charge. As the price declines below $P_F$, consumers increase their consumption and suppliers reduce their production. This mutual adjustment continues until the price reaches P*, where producer and consumer decisions are perfectly coordinated. But the price floor, $P_F$, blocks that communication between suppliers and consumers, preventing them from responding to the surplus in a mutually appropriate way.

## Suppliers Can Be Worse Off

Consumers are clearly made worse off by price floors. They are forced to pay higher prices and consume smaller quantities than they would with free-market prices. But price floors can also make suppliers worse off. Some suppliers can benefit from a price floor if they can sell all, or most, of the quantity they would like at that price, but then other suppliers will be even less able to sell as much as they desire.

Only if all suppliers of a product can sell as much as they want at the price floor is it possible for them to be better off as a group, and



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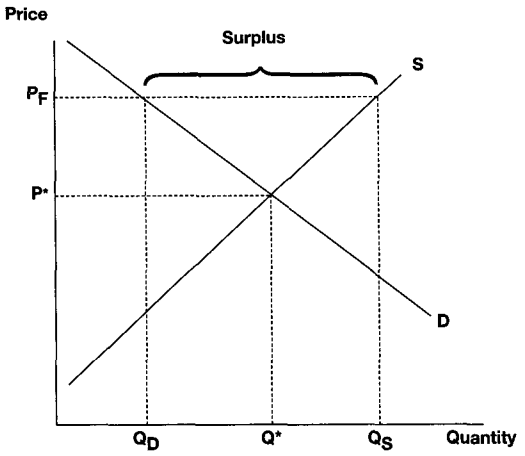
then only temporarily. Farmers favored price supports for crops because the federal government stood ready to purchase the supply that farmers couldn't sell at the above-market price. But even in this case, the benefit to suppliers was only temporary since competition among farmers increased the cost of doing business. For example, the lure of above-market prices prompted farmers to bid up the price of land. That is, the price of land incorporated the benefits of the price supports. Those who owned good farmland before the programs started won windfall benefits, but those who entered farming afterward and paid inflated land prices did not.




## The Minimum Wage

A good example of how price floors can harm the very people who are supposed to be helped by undermining economic cooperation is the minimum wage. Legislating a minimum wage is commonly seen as an effective way of giving raises to low-wage workers. Unfortunately, it, like any price floor, creates a surplus. In this case, it is a surplus of workers (suppliers of labor), more of whom are willing to work in minimum-wage jobs than there are employers (demanders) willing to hire at that wage. We call a surplus caused by the minimum wage "unemployment."

A wage floor hits workers with limited skills, primarily young people. According to *The Economist*, in 1997 the average unemployment rate among workers under 25 was three times greater than the average unemployment rate among those 25 or older (June 27, 1998). Young people are best able to improve their economic prospects by developing skills that increase their productivity. For those with the fewest advantages, the best hope is work experience and on-the-job training. The minimum wage reduces the number of people employers will hire for what is essentially training.

Consider also that the minimum wage reduces the cost of discriminating on noneconomic grounds in hiring. With more young people applying for jobs than employers want to hire, and with no legal way of paying a lower wage, it costs nothing to exclude some applicants from consideration. If an employer has a choice between hiring the mayor's son or a poor kid from the other side of the tracks who would be willing to work for less, the mayor's son is almost sure to get the job.

The young person from an affluent family can expect to have connections that make it possible for him to get a minimum-wage job before heading off to college, or a part-time minimum-wage job while in college. The poor kid whose education in an inner-city public school makes going to college unlikely, and whose best hope for gaining skills is job experience, is less likely to get a job because of the minimum wage. This kid would have a far better chance if he could communicate his willingness to work by accepting the lower wage that is now outlawed. It should surprise no one that the unemployment rate for nonwhite teenagers is several times the rate for white teenagers.

The political demand for the minimum wage does not come from low-wage workers. Today labor unions are the most active supporters of increasing the minimum wage. Unskilled nonunion workers can compete with skilled union workers only by offering their services for less. Increasing the minimum wage limits this competition, allowing union workers to demand higher wages than would otherwise be possible. □

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THE FREEMAN
Ideas On Liberty

# The Culture of Classical Liberalism

by Tadd Wilson

Despite what is taught in most universities, the essentially classical liberal ideas of free-market economics and limited government have won the basic test of any doctrine: does it beat the best alternative? The evidence is clear, whether in the collapse of the former Soviet Union's planned economy or in the public-sector downsizing in countries as varied as Estonia, New Zealand, and Poland.

However, classical liberalism—once a dominant philosophical paradigm—now allegedly fails the more subtle test of completeness. Many on the left and right criticize classical liberals for focusing purely on economics and politics to the neglect of a vital issue: culture. The criticism could have implications for the future of classical liberalism. As F.A. Hayek pointed out in "The Intellectuals and Socialism," the perception of a philosophy affects its longevity.

## Right and Left Versus the Last Man

From the left, classical liberals have faced (or, some would suggest, have not faced) serious questions about the limits and very nature of politics and economics. Indirectly inheriting both Friedrich Nietzsche's apparent deification of culture and his fear of an atomistic, utility-maximizing Last Man, most twentieth-century intellectuals have been openly hostile to purely economic or political understandings of man. The existentialist Jean-Paul Sartre, British socialist literary and political critic Raymond Williams, and even the political philosopher Hannah Arendt come to mind. It was Arendt who, in *Men in Dark Times* (1968), referred to "many periods of dark times in which . . . people have ceased to ask any more of politics than it show due consideration for their vital interests and personal liberty."

From the right, Allan Bloom argued in "Commerce and 'Culture'" that "the very notion of 'culture' was formed in response to the rise of commercial society." In *The Closing of the American Mind* (1987), Bloom spoke disparagingly of merely economic or political conceptions of a free society, chiding friends of the market that in accepting "value-free" economics "they are admitting that their 'rational' system needs a moral supplement in order to work, and that this morality is not itself rational—or at least the choice of it is not rational, as they understand reason." Bloom's observations continue to be recycled by more overtly political conservatives such as former federal judge Robert Bork and *Weekly Standard* publisher William Kristol.

Quite reasonably, many classical liberals retort that political and economic theory naturally focuses on politics and economics, and that they are more interested in defining the political sphere rather than accounting for what falls outside it. Others mention that many artists (those most involved in "cul-

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**December 1998**

# The Constitution's New Defenders

All the talk of cigars, blue dresses, and other paraphernalia of modern presidential *amours* has drawn national attention away from how the prospect of impeaching Bill Clinton is inspiring a sea-change in constitutional theory. Many big-government advocates now champion strict constitutional construction. The President's defenders are probably at this very moment poring over Robert Bork's scholarly articles in search of intellectual ammunition for Clinton's defense against impeachment.

For example, when interviewed recently on National Public Radio, Rep. Zoe Lofgren (D-CA), a member of the House Judiciary Committee, sounded downright Borkian. She solemnly intoned that we moderns are not free to read into the Constitution's phrase "high crimes and misdemeanors" (which governs impeachment) anything that we wish. Instead, she advised that the proper meaning of these words "comes from Alexander Hamilton, from George Mason, from Madison." Rep. Lofgren added that she has "spent a lot of time researching, going back and reading again *The Federalist Papers* [and] the notes from the Constitutional Convention."

She concludes that members of Congress "are constrained by what the law is, what the Constitution says. If we're just going to do whatever we think, then we're not going to have a constitutional form of government."

Hear, hear! Ms. Lofgren is a member of a political class that for sixty years has waxed eloquent over "a living constitution" whose plain language should never curb Washington's zeal to regulate the economy, redistribute wealth, and take private property. This the-Constitution-says-what-we-fancy-it-to-say conviction was most notably championed by the late Justice William Brennan, who justified his rejection of strict constructionism by arguing that "[i]t is arrogant to pretend that from our vantage we can gauge accurately the intent of the Framers on application of principle to specific, contemporary questions."

This is an expedient view of the Constitution for those who disapprove of that document's clear restrictions on government power. The framers feared government, and the Constitution they ratified is crystal clear that government power in America was to be severely limited. But since 1937 or thereabouts, Congress, the various Presidents (yes, even Reagan), and the judiciary have refused to be constrained by the constitutional text. The consequence inundates us: a behemoth,

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obnoxious, deceitful, and ravenous government.

Fortunately, judging from her remarks made soon after Independent Counsel Ken Starr released his report, Rep. Lofgren would now rightly scold those who cling to Justice Brennan's politically convenient view that the Constitution means whatever we moderns want it to mean. Perhaps Rep. Lofgren now has courage to direct her colleagues' attention to *Federalist* #10 in which James Madison says that the protection of people's abilities to own property "is the first object of government" and that government efforts to redistribute property are "improper or wicked."

Hey, maybe the era of big government really *is* over!

Of course, cynics might accuse Rep. Lofgren and her fellow converts to original-intent constitutionalism (such as Rep. Barney Frank of Massachusetts) of insincerity—of advocating original intent only on the question of impeachment, and then merely to save this particular president's political skin. In light of the dubious ethics of today's politicians, this possibility can't be dismissed. Thankfully, it's easy to test the sincerity of Rep. Lofgren & Co. If they are willing to repeal the vast bulk of regulatory legislation enacted by Congress since the New Deal, then their belief in Constitutional government is genuine. But if Rep. Lofgren and her colleagues resist repealing these statutes, we can conclude only that she and her friends are hypocritical, insincere, bamboozling politicians—much like Clinton, according to his critics.

Why is repeal of this legislation a sound test of Rep. Lofgren's sincerity?

The Constitution delegates to Congress only a handful of powers. All powers not explicitly delegated to Washington are, as the Tenth Amendment says, "reserved to the States respectively, or to the people."

Article I, Section 8 is where the Constitution spells out most of the powers delegated to Congress. These powers include regulating only *inter*state and foreign commerce, coining money, establishing post offices, creating a federal court system, supporting an army and a navy, and a handful of other powers that the framers thought were necessary to forge the states into a nation without stripping them of their plenary powers or the people of their rights under the common law.

On any plausible reading of the Constitution—and of the accompanying commentary by the framers, such as *The Federalist Papers*—the vast bulk of what Washington does today is unconstitutional. Nowhere does the Constitution give to Washington the power to specify the size of our toilet tanks, the fuel-efficiency of our automobiles, or what constitutes sexual harassment in the workplace (another issue, incidentally, on which Clinton's supporters insist on strict construction). Nowhere does the Constitution give to Washington the authority to use taxpayer funds to subsidize farmers or to help corporations advertise their products in foreign markets. And nowhere does the Constitution authorize Washington to dictate minimum wages, to prevent private landowners from developing their properties, or to distribute welfare. The framers left most regulatory powers with the states—and even these powers were understood to be constrained by common-law protections that citizens enjoyed against intrusion by any government.

So let Rep. Lofgren and her fellow Constitutional scholars in Congress prove that they respect the framers as much as they now claim: repeal federal minimum-wage legislation, the Americans with Disabilities Act, the Endangered Species Act, and the countless other statutes and regulations that today plague ordinary Americans.

If the Constitution again becomes the law of the land, America can look forward to a great flourishing of freedom and prosperity. Bill Clinton and his paramours will be forgotten. And future generations might even erect a statue of Zoe Lofgren and her friends, Defenders of the Constitution.

Donald J. Boudreaux
*President*

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# FEE Holiday Sale · · Staff Favorites

Happy Holidays to all of our many thousands of readers! This month the staff suggests titles for your consideration. You may already be familiar with our selections; on the other hand, we may introduce you to some books you've heard about but haven't yet read. Either way, we hope you'll think about adding some of these wonderful works to your library or to a friend's library. After all, sharing the great gift of knowledge is a superb way to spread the holiday spirit.

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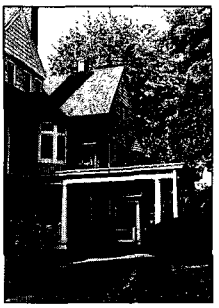

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ture") were political liberals in their time, notably Friedrich von Schiller, Ludwig van Beethoven, Percy Shelley, John Milton, and Johann von Goethe. However, the critics' point should not be lost: as a broad area of thought, classical liberalism is generally perceived as caring little for the non-political or non-economic; and the standard retort "sells short" a rich tradition of scholarship and thought that, on examination, provides grounds for serious discussion of culture, even if it offers no dogmatic account.

This essay will make two simple points: that many classical liberals do indeed acknowledge the importance of "culture," though they present no unified front on the matter; and that this cultural awareness is an important part of their respective overall classical-liberal philosophies. We will discuss three great exponents of classical liberalism: F.A. Hayek, Ayn Rand, and Albert Jay Nock.

## What Is Culture?

Before going any farther, let's look at what exactly "culture" is, or rather, at how little clarity there is on the issue. The 1995 *Oxford Companion to Philosophy* notes that the word "may be used in a wide sense to describe all aspects characteristic of a particular form of human life, or in a narrow sense to denote only the system of values implicit in it." The entry concludes that understanding culture is helpful for evaluating systems of values with an eye to the ideals they reflect about what human life ought to be. A less academic source, *Webster's Seventh New Collegiate Dictionary*, defines culture in such terms as "enlightenment and excellence of taste acquired by intellectual and aesthetic training"; "a particular stage of advancement in civilization"; "the characteristic features of such an age or state"; and "behavior typical of a group or class."

While neither definition offers a precise understanding of culture, both focus on two essential elements of "culture": that general trends and individuals' actions are related to and can be explained as motivated by values, and that these values are not ultimately stable; that is, they must be taught and are subject to interpretation. Moreover, these definitions point to two areas of potential activity concerning any given culture: explaining individual behavior and changing individual behavior. While these two areas may ultimately be inseparable, we will treat them as discrete for the purposes of drawing out two criticisms of classical liberalism since, essentially, the critiques from Bloom, Arendt, and others, though varying in particulars, boil down to the assertion that classical liberalism is sufficient neither for explaining culture nor for creating culture—that is, for sustaining values.

## Hayek: Beyond Political Economy

Rather than attacking their critics on abstract grounds, students of the classical-liberal tradition can refute the claim that all classical liberals neglect culture with three words: the fatal conceit. Appreciated mostly for enlarging and deepening his critique of central planning, Hayek's book *The Fatal Conceit* touches on nearly every important field related to culture: anthropology, biology, philosophy, linguistics, and psychology—in addition to economics and politics. While the thrust of the book is a proof that socialism is based on demonstrably false premises, in setting up his case Hayek offers a grounding for an account of how societies evolve that is not merely economic, not purely political, and not purely rational—it is between instinct and reason.

Though the laws of economics (what Ludwig von Mises called praxeology) remain stable across time, for Hayek, an account of the "rational" reaction to these laws does not provide the best explanation of social change and individual values. In a section entitled "Biological and Cultural Evolution," Hayek notes that, with respect to separating instinct from habitual learning, "we cannot precisely distinguish between these two determinants of conduct because they interact in complicated ways." Hayek also suggests that tension between instinct and reason, "a conflict fired by the discipline of 'repressive or inhibitory moral traditions' . . . is perhaps the major theme of the history of civilization." He then postulates that this tension between instinct

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and reason drives cultural evolution, a process of "continued trial and error, constant 'experimentation' in arenas wherein different orders contended." Only after setting the evolutionary/cultural stage does Hayek move on to discuss the origins of liberty, property, and justice, and beyond to the development of large-scale markets and extended orders.

After offering his account of culture, Hayek explicitly recognizes the behavior-changing function of culture: "Recognising that rules generally tend to be selected, via competition, on the basis of their human survival-value, certainly does not protect those rules from critical scrutiny." In other words, although the evolutionary mechanism Hayek has outlined works, rationally critiquing specific rules and norms is important. And though Hayek spends most of the remainder of *The Fatal Conceit* challenging socialist and collectivist economics (obviously with the hope of changing behavior), he does devote an entire chapter to what can clearly be labeled "cultural criticism"—"Our Poisoned Language." In that chapter, Hayek notes the enormous importance of language in cultural evolution, particularly language's ability to subtly transmit error from generation to generation. (He points to the proliferation of the modifier "social," as in "social justice," to indicate how language can perpetuate erroneous thinking.)

These examples show two things: Hayek takes a holistic view of human affairs that encompasses far more than economics or politics, and this view allows Hayek to interpret and criticize particular cultures with an eye to changing individual behavior and general trends. In short, Hayek was no "mere economist." Nor was he alone.

## Rand: No Stone Unturned

Of the three authors discussed in this article, Ayn Rand is the one who most consciously advanced a particular philosophy, Objectivism. As such, Rand's notion of culture is carefully defined and integrated into her system of beliefs built on her irreducible primaries: existence, identity, and consciousness. In her 1982 collection, *Philosophy: Who Needs It*, her last published book, Rand defines a nation's culture as "the sum of the intellectual achievements of individual men, which their fellow-citizens have accepted in whole or in part, and which have influenced the nation's way of life." Far from being static, "a culture is a complex battleground of different ideas and influences" so that "to speak of a 'culture' is to speak only of the dominant ideas, always allowing for the existence of dissenters and exceptions."

Like Hayek, Rand also tackles the issue of the necessary conditions for civilization. While Hayek highlights civilization's dependence on rules of just conduct that allow an extended order to evolve, Rand states her case more simply: "the precondition of a civilized society is the barring of physical force from social relationships." Rand shares with Hayek an adherence to methodological individualism, stating unequivocally "[a] great deal may be learned about society by studying man." However, Rand's strong stance leads her to conclude that "nothing can be learned about man by studying society" and the only fundamental factor determining the nature of any social system is the presence or absence of individual rights, statements with which Hayek would find some uneasiness. But, whatever the similarities or differences between Hayek and Rand, both develop explanatory theories of individual behavior that encompass and transcend economics and politics and yet are integral to their political philosophies.

Rand does address culture from a critic's point of view. Like Hayek, she abhors the linguistic and ethical dominance of the word "social": "there is no such entity as 'society,' since society is only a number of individual men." She devoted an entire essay in *The Objectivist* (April 1966) to "Our Cultural Value-Deprivation." And in *Philosophy: Who Needs It*, she argues that one of the United States' great weaknesses comes from its failure to generate a culture of its own. America failed to discover "the words to name their [the founders'] achievements . . . i.e., the appropriate philosophy and its consequence: an American culture." This cultural deficiency left American intellectuals dependent on European (particularly German) "hand-

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me-downs" and caused an unfortunate "recycling of Kantian-Hegelian premises," that is, collectivism. Rand's account clearly echoes Hayek's fear about our "poisoned language" and, ironically enough, anticipates some of what Bloom would argue a few years later.

Like her predecessor Albert Jay Nock, Rand spoke appreciatively of ancient Greece for giving birth to philosophy by idealizing reason. She praised Greek art and religion for personifying "proper human values" such as beauty, wisdom, justice, and victory. In *The Romantic Manifesto*, Rand stresses the importance of art in general for selectively recreating reality, isolating "those aspects of reality which represent man's fundamental view of himself and of existence." Clearly, Rand's view of art is an example of the reinterpretive, exploratory, and evaluative function attributed to culture in the definitions above. Moreover, culturally functioning art is not mere entertainment but a crucial part of individual man's existence, insofar as man's self-interest cannot be decided on whimsically but must be discovered.

As with Hayek, our discussion of Rand is not intended to decide the merits of her arguments but rather to make two points: she offers a fundamental view of human affairs that encompasses more than economics or politics; and this view allows her to evaluate and criticize particular cultures with an eye to challenging individuals' assumptions, their behavior, and general trends.

## Nock: Cultured Critic

Unlike Hayek (an economist turned political philosopher) or Rand (a novelist turned philosopher), Albert Jay Nock wrote quite obviously as a cultural critic. Generally favoring the essay above the journal article, treatise, or novel, Nock brought his marvelous literary talents to a wide variety of forums, including the *Atlantic Monthly*, *Harper's*, *The Nation*, *The Freeman* of the 1920s and '30s, several quarterly reviews, and Frank Chodorov's broadsheet, *analysis*. Though not well known among young libertarians, Nock exerted a major influence on the budding anti-collectivist movement of the 1940s, including such notable figures as Robert Nisbet, Russell Kirk, William F. Buckley Jr., and Murray Rothbard, as well as Chodorov.

Though he voiced very strong opinions on economic and political affairs (most notably in *Our Enemy, the State*), Nock's analysis was certainly not limited to economic or political criticism. Rather, like Hayek and Rand, Nock drew from a wide range of disciplines for his inspiration, including literature, history, mythology, classical and modern political theory, and religion. Also like Hayek, Nock was an astute observer of culture as it affected individual behavior and general trends—and though he developed no rigorous theoretical account of cultural evolution as did Hayek, he still ultimately took the long view of culture, often referring to his centuries-old inspirations: Shakespeare, Dante, Socrates, Virgil, and his beloved Rabelais.

Primarily, however, Nock chose to observe and criticize the early twentieth-century American culture he saw around him (though he eventually despaired of changing anyone's behavior). Nock's cutting wit turned from music and literature in "A Cultural Forecast" to the role of criticism itself in "Criticism's Proper Field." In "American Education," he took on the academy: "The root-idea, or ideal, of our system is the very fine one that educational opportunity should be open to all. The practical approach to this ideal, however, was not planned intelligently, but, on the contrary, very stupidly; it was planned on the official assumption that everybody is educable, and this assumption still remains official." Though Nock wrote to the audiences of his day, his substantive account of culture remains a relevant and fruitful source of criticism. As Nock observed in the April 5, 1930, issue of the new *Freeman,* "Criticism's first job in this country is . . . taking its eyes and mind resolutely off the contemporaneous."

Finally, Nock had an abiding concern for the individual mind in an age of collectivism and conformity. A passage from "A Cultural Forecast" that anticipates Hayek's connection of self-preserving instinct, reason, and cultural evolution warns against the confusion of state and culture. In addition, Nock urges his readers to better themselves before faulting

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American culture for not giving all the citizens of the United States an appreciation of the humane life. Commenting on the lives of Virgil, Marcus Aurelius, and Socrates, Nock says that "they approached their own age with the understanding, equanimity, humour, and tolerance that culture indicates; and instead of expecting their civilization to give them more than it possibly could give them, instead of continually fretting at their fellow citizens, blaming, brow-beating or expostulating with them for their derogations from the humane life, they bent their energies, as far as circumstances allowed, towards making some kind of progress in the humane life themselves."

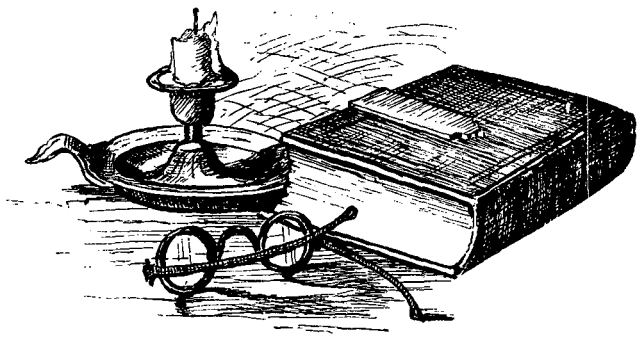
Ultimately, Nock demonstrates that classical liberalism and an appreciation for "high" culture are not just reconcilable but complementary. Nock also provides a stylistic model and substantive source of insight, wit, and humanity for classical liberal critics.

## Classical Liberal Culture

Clearly, there is no dearth of classical liberal writing that ventures beyond economics and politics. But it still leaves us with the question of why classical liberalism takes such a beating from those concerned with culture. Perhaps, as Bloom suggests, the problem is not so much that classical liberal interest in culture does not exist but that it is overlooked. And perhaps those who call themselves classical liberals are the most negligent in this respect. As University of Iowa economist and historian D.N. McCloskey notes in a 1994 *American Scholar* article, "Bourgeois Virtue," classical liberals (and indeed, everyone) should "stop defining a participant in an economy as an amoral brute." McCloskey writes that even "Adam Smith knew that a capitalist society . . . could not flourish without the virtues of trustworthiness or bourgeois pride," for "Smith's other book, *The Theory of Moral Sentiments*, was about love, not greed." Happily, McCloskey observes that the current situation may not be as bleak as the one Bloom had portrayed in 1987: "Yet even many economists have learned by now that moral sentiment must ground a market."

In fact, McCloskey's article (which anticipates her 1996 book on the same subject) is an excellent example of one classical liberal economist's appreciation for culture, touching intelligently on classical and modern philosophy, the language of virtue, medieval history, and Freudian psychology. And McCloskey is not alone. Several groups (albeit small) and writers have been expanding classical liberalism's horizons beyond politics and economics. Most recently, economist Tyler Cowen argues in *In Praise of Commercial Culture* that an economic look at "cultural production" shows a strong correlation between prosperity and mass consumption of both low and high cultural artifacts.

This brief look at Hayek, Rand, and Nock does not end the debate over culture—rather, it should initiate discussion among classical liberals in an area where they have, and have had, much to contribute. To the critics, we can respond that, far from crippling classical liberalism or rendering it "merely" practical, the absence of a unified party line on the question of culture enables us both to appreciate the latest insights of a diversity of disciplines and to continue exploring our own rich tradition of historians, moral and ethical philosophers, essayists, novelists, theologians—and, yes, political philosophers and economists. □



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# Spanish-American War: Death, Taxes, and Incompetence

by Burton Folsom

Remember the *Maine*!" was the battle cry that led America into the Spanish-American War in 1898. The mysterious explosion of the *U.S.S. Maine* in Havana harbor killed 260 Americans and triggered hostility toward Spain, the suspected culprit. Spain was no threat to U.S. interests, but some Americans wanted to help the Cubans, who were struggling under Spanish rule, and others had visions of creating an American empire.

Exactly one hundred years ago, on December 10, 1898, the United States signed the peace treaty ending its short and victorious war with Spain. What is not widely known is, first, how inept the U.S. government was in organizing the war, and second, how the tax code changed as a result of the war. Those changes—higher taxes—became part of American life ever after.

The war was expensive, and taxpayers were squeezed. Congress hiked taxes on tobacco and alcohol, and also passed the first inheritance tax in American history. Those higher taxes *remained in place after the war* (except for a brief repeal of the inheritance tax). Internal revenue collections never exceeded $162 million in any year from the Civil War era to 1897. After the Spanish-American War, annual internal revenue collections never fell below $230 million. During the conflict, the United States also recorded its largest deficit since the Civil War years.

## Government Ineptitude

The man in charge of organizing an army to fight Spain was the secretary of war, Russell Alger—a Detroit lumber baron and former governor of Michigan. Most historians of the Spanish-American War say that Alger did a dismal job. At one level, he was weak and unprepared. On March 9, 1898, six weeks before the U.S. declared war on Spain, Congress allocated $50 million "for national defense and for each and every purpose connected therewith." But Alger never insisted that any of it be used to prepare an army to fight.

In April, when the war began, Alger desperately struggled to equip the Army for battles in Cuba. Disaster followed disaster. For example, the soldiers were issued wool uniforms for a summer war in a tropical climate. The mess pans were leftovers from the Civil War. Few soldiers received modern rifles; most ended up with outdated Springfields, and some, like Michigan's 32nd regiment, had no rifles at all and never made it overseas. Those who did make it to Cuba ate food so sickening that soldiers called it "embalmed beef," and a special war commission later investigated what was in it.

Alger, of course, blamed the slow-moving bureaucracy, including the legions of political appointees in the War Department, for his problems. Alger himself, however, had to take

*Burton Folsom is senior fellow at the Mackinac Center for Public Policy and author of* The Myth of the Robber Barons, *which is now in its third edition.*



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*Russell A. Alger (1836–1907)*

full responsibility for appointing William R. Shafter as chief general for the Cuban campaign. Shafter, from Galesburg, Michigan, was 62 years old when the war broke out. He moved slowly because he weighed almost 300 pounds. He was ill during most of the fighting, and many questioned his abilities. Teddy Roosevelt, who led the charge up San Juan Hill, said that "not since the campaign of Crassus against the Parthians [over 2,000 years ago] has there been so criminally incompetent a general as Shafter."

Yet in spite of the snafus and bungling, the United States won the war. The Navy, which was well prepared, joined the Army to force a Spanish surrender at Santiago, Cuba. When the war ended, many Americans demanded a formal investigation of why the war department was so inefficient. Secretary Alger resigned in 1899 under heavy criticism and without clear support from President McKinley. In temporary retirement, Alger wrote a book, *The Spanish-American War*, to try to explain why so much went so wrong.

Those who are too critical of Alger miss a larger point. Incompetent generals, lazy bureaucrats, and a confused secretary of war are the stuff of most wars. That's one reason why wars should be avoided, if possible. What offsets the ineptitude is that America has had a free people eager to preserve their way of life and willing to overcome military hardships to do so.

Within four months and one week after Congress declared war, over 274,000 men had volunteered to put on wool uniforms, endure a disease-ridden tropical climate, eat bad food, and risk their lives shooting antique guns at menacing Spanish soldiers. Not all of these men made it to Cuba, but M.B. Stewart, one who did, said it best this way: "We were doing the best we knew and our lack of knowledge was more than outweighed by the magnificent spirit and discipline of both officers and men."

We have two groups, then: the American soldiers, raised in a culture of freedom and willing to preserve it if called upon; and the politicians, who seemed to care more about protecting their careers or building an overseas empire than they did about the lives of soldiers or the taxes on civilians. Even after the Spanish-American War, politicians missed their chance to balance the scales of justice. In 1902, the Michigan legislators selected Russell Alger to be a U.S. senator, and shortly thereafter they built a bronze bust of General Shafter in his hometown of Galesburg. □

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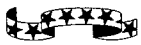
THE FREEMAN
Ideas On Liberty

# The Conquest of the United States by Spain

by William Graham Sumner

*(Editor's Note: One hundred years ago the United States went to war against Spain in its first full-blown imperialist adventure. As a result of the war, the United States gained control of the Philippines, Puerto Rico, Guam, and Cuba. The following year William Graham Sumner [1840–1910], the classical liberal sociologist at Yale University, published a prophetic essay in the* Yale Law Journal *in which he argued that although the United States defeated Spain in battle, there was a sense in which Spain had defeated the United States. We couldn't end the year without reproducing excerpts from Sumner's classic essay.)*

During the last year the public has been familiarized with descriptions of Spain and of Spanish methods of doing things until the name of Spain has become a symbol for a certain well-defined set of notions and policies. On the other hand, the name of the United States has always been, for all of us, a symbol for a state of things, a set of ideas and traditions, a group of views about social and political affairs. Spain was the first, for a long time the greatest, of the modern imperialistic states. The United States, by its historical origin, its traditions, and its principles, is the chief representative of the revolt and reaction against that kind of a state. I intend to show that, by the line of action now proposed to us, which we call expansion and imperialism, we are throwing away some of the most important elements of the American symbol and are adopting some of the most important elements of the Spanish symbol. We have beaten Spain in a military conflict, but we are submitting to be conquered by her on the field of ideas and policies. Expansionism and imperialism are nothing but the old philosophies of national prosperity which have brought Spain to where she now is. Those philosophies appeal to national vanity and national cupidity. They are seductive, especially upon the first view and the most superficial judgment, and therefore it cannot be denied that they are very strong for popular effect. They are delusions, and they will lead us to ruin unless we are hard-headed enough to resist them.



The original and prime cause of the war was that it was a move of partisan tactics in the strife of parties at Washington. As soon as it seemed resolved upon, a number of interests began to see their advantage in it and hastened to further it. It was necessary to make appeals to the public which would bring quite other motives to the support of the enterprise and win the consent of classes who would never consent to either financial or political jobbery. Such appeals were found in sensational assertions which we had no means to verify, in phrases of alleged patriotism, in statements about Cuba and the Cubans which we now know to have been entirely untrue.

There is another observation, however, about the war which is of far greater impor-



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tance: that is, that it was a gross violation of self-government. We boast that we are a self-governing people, and in this respect, particularly, we compare ourselves with pride with older nations. . . . The war with Spain was precipitated upon us headlong, without reflection or deliberation, and without any due formulation of public opinion. Whenever a voice was raised in behalf of deliberation and the recognized maxims of statesmanship, it was howled down in a storm of vituperation and cant. Everything was done to make us throw away sobriety of thought and calmness of judgment and to inflate all expressions with sensational epithets and turgid phrases. It cannot be denied that everything in regard to the war has been treated in an exalted strain of sentiment and rhetoric very unfavorable to the truth. . . . Patriotism is being prostituted into a nervous intoxication which is fatal to an apprehension of truth. It builds around us a fool's paradise, and it will lead us into errors about our position and relations just like those which we have been ridiculing in the case of Spain.

It has become almost a doctrine with us that patriotism requires that we should hold our tongues while our interests, our institutions, our most sacred traditions, and our best established maxims have been trampled underfoot. There is no doubt that moral courage is the virtue which is more needed than any other in the modern democratic state, and that truckling to popularity is the worst political vice. The press, the platform, and the pulpit have all fallen under this vice, and there is evidence that the university also, which ought to be the last citadel of truth, is succumbing to it likewise. I have no doubt that the conservative classes of this country will yet look back with great regret to their acquiescence in the events of 1898 and the doctrines and precedents which have been silently established. Let us be well assured that self-government is not a matter of flags and Fourth of July orations, nor yet of strife to get offices. Eternal vigilance is the price of that as of every other political good. The perpetuity of self-government depends on the sound political sense of the people, and sound political sense is a matter of habit and practice. We can give it up and we can take instead pomp and glory. That is what Spain did. She had as much self-government as any country in Europe at the beginning of the sixteenth century. The union of the smaller states into one big one gave an impulse to her national feeling and national development. The discovery of America put into her hands the control of immense territories. National pride and ambition were stimulated. Then came the struggle with France for world-dominion, which resulted in absolute monarchy and bankruptcy for Spain. She lost self-government and saw her resources spent on interests which were foreign to her, but she could talk about an empire on which the sun never set and boast of her colonies, her gold mines, her fleets and armies and debts. She had glory and pride, mixed, of course, with defeat and disaster, such as must be experienced by any nation on that course of policy; and she grew weaker in her industry and commerce and poorer in the status of the population all the time. She has never been able to recover real self-government yet. If we Americans believe in self-government, why do we let it slip away from us? Why do we barter it away for military glory as Spain did?

We assume that what we like and practice, and what we think better, must come as a welcome blessing to Spanish-Americans and Filipinos. This is grossly and obviously untrue. They hate our ways. They are hostile to our ideas. Our religion, language, institutions, and manners offend them. They like their own ways, and if we appear amongst them as rulers, there will be social discord in all the great departments of social interest. The most important thing which we shall inherit from the Spaniards will be the task of suppressing rebellions. If the United States takes out of the hands of Spain her mission, on the ground that Spain is not executing it well, and if this nation in its turn attempts to be schoolmistress to others, it will shrivel up into the same vanity and self-conceit of which Spain now presents an example. To read our current literature one would think that we were

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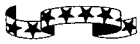
already well on the way to it. Now, the great reason why all these enterprises which begin by saying to somebody else, We know what is good for you better than you know yourself and we are going to make you do it, are false and wrong is that they violate liberty; or, to turn the same statement into other words, the reason why liberty, of which we Americans talk so much, is a good thing is that it means leaving people to live out their own lives in their own way, while we do the same. If we believe in liberty, as an American principle, why do we not stand by it? Why are we going to throw it away to enter upon a Spanish policy of dominion and regulation?

We are told by all the imperialists that these people [of the former Spanish possessions] are not fit for liberty and self-government; that it is rebellion for them to resist our beneficence; that we must send fleets and armies to kill them if they do it; that we must devise a government for them and administer it ourselves; that we may buy them or sell them as we please, and dispose of their "trade" for our own advantage. What is that but the policy of Spain to her dependencies? What can we expect as a consequence of it? Nothing but that it will bring us where Spain is now.

The doctrine that we are to take away from other nations any possessions of theirs which we think that we could manage better than they are managing them, or that we are to take in hand any countries which we do not think capable of self-government, is one which will lead us very far. With that doctrine in the background, our politicians will have no trouble to find a war ready for us the next time that they come around to the point where they think that it is time for us to have another. We are told that we must have a big army hereafter. What for; unless we propose to do again by and by what we have just done? In that case our neighbors have reason to ask themselves whom we will attack next. They must begin to arm, too, and by our act the whole western world is plunged into the distress under which the eastern world is groaning. Here is another point in regard to which the conservative elements in the country are making a great mistake to allow all this militarism and imperialism to go on without protest. It will be established as a rule that, whenever political ascendency is threatened, it can be established again by a little war, filling the minds of the people with glory and diverting their attention from their own interests. Hard-headed old Benjamin Franklin hit the point when, referring back to the days of Marlborough, he talked about the "pest of glory." The thirst for glory is an epidemic which robs a people of their judgment, seduces their vanity, cheats them of their interests, and corrupts their consciences.

Of the interpretation of clauses in the Constitution I am not competent to speak, but the Constitution is the organic law of this confederated state in which we live, and therefore it is the description of it as it was planned and as it is. The question at stake is nothing less than the integrity of this state in its most essential elements. The expansionists have recognized this fact by already casting the Constitution aside. The military men, of course, have been the first to do this. It is of the essence of militarism that under it military men learn to despise constitutions, to sneer at parliaments, and to look with contempt on civilians. Some of the imperialists are not ready to go quite so fast as yet. They have remonstrated against the military doctrine, but that only proves that the military men see the point at issue better than the others do. Others say that if the legs of the Constitution are too short to straddle the gulf between the old policy and the new, they can be stretched a little, a view of the matter which is as flippant as it is in bad taste.



The question of imperialism, then, is the question whether we are going to give the lie to the origin of our own national existence by establishing a colonial system of the old Spanish type, even if we have to sacrifice our existing civil and political system to do it. I submit that it is a strange incongruity to utter grand platitudes about the blessings of liberty,

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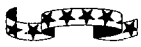
etc., which we are going to impart to these people, and to begin by refusing to extend the Constitution over them, and still more, by throwing the Constitution into the gutter here at home. If you take away the Constitution, what is American liberty and all the rest? Nothing but a lot of phrases.

It seems as if this new policy was destined to thrust a sword into every joint in our historical and philosophical system. Our ancestors revolted against the colonial and navigation system, but as soon as they got their independence, they fastened a navigation system on themselves. The consequence is that our industry and commerce are today organized under a restrictive system which is the direct offspring of the old Spanish restrictive system, and is based on the same ideas of economic policy; *viz.*, that statesmen can devise a prosperity policy for a country which will do more for it than a spontaneous development of the energy of the people and the resources of the territory would do.

Everywhere you go on the continent of Europe at this hour you see the conflict between militarism and industrialism. You see the expansion of industrial power pushed forward by the energy, hope, and thrift of men, and you see the development arrested, diverted, crippled, and defeated by measures which are dictated by military considerations. At the same time the press is loaded down with discussions about political economy, political philosophy, and social policy. They are discussing poverty, labor, socialism, charity, reform, and social ideals, and are boasting of enlightenment and progress, at the same time that the things which are done are dictated by none of these considerations, but only by military interests. It is militarism which is eating up all the products of science and art, defeating the energy of the population and wasting its savings. It is militarism which forbids the people to give their attention to the problems of their own welfare and to give their strength to the education and comfort of their children. It is militarism which is combating the grand efforts of science and art to ameliorate the struggle for existence.

Now what will hasten the day when our present advantages will wear out and when we shall come down to the conditions of the older and densely populated nations? The answer is: war, debt, taxation, diplomacy, a grand governmental system, pomp, glory, a big army and navy, lavish expenditures, political jobbery—in a word, imperialism.



The point which I have tried to make in this lecture is that expansion and imperialism are at war with the best traditions, principles, and interests of the American people, and that they will plunge us into a network of difficult problems and political perils, which we might have avoided, while they offer us no corresponding advantage in return.

Of course "principles," phrases, and catchwords are always invented to bolster up any policy which anybody wants to recommend. So in this case. The people who have led us on to shut ourselves in, and who now want us to break out, warn us against the terrors of "isolation." Our ancestors all came here to isolate themselves from the social burdens and inherited errors of the old world. When the others are all over ears in trouble, who would not be isolated in freedom from care? When the others are crushed under the burden of militarism, who would not be isolated in peace and industry? When the others are all struggling under debt and taxes, who would not be isolated in the enjoyment of his own earnings for the benefit of his own family? When the rest are all in a quiver of anxiety, lest at a day's notice they may be involved in a social cataclysm, who would not be isolated out of reach of the disaster? What we are doing is that we are abandoning this blessed isolation to run after a share in the trouble.

There is a consistency of character for a nation as well as for a man. A man who changes his principles from week to week is destitute of character and deserves no confi-

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dence. The great men of this nation were such because they embodied and expressed the opinion and sentiments of the nation in their time. Their names are something more than clubs with which to knock an opponent down when it suits one's purpose, but to be thrown away with contempt when they happen to be on the other side. So of the great principles; whether some of us are skeptical about their entire validity and want to define and limit them somewhat is of little importance. If the nation has accepted them, sworn by them, founded its legislation on them, imbedded them in the decisions of its courts, and then if it throws them away at six months' warning, you may depend upon it that that nation will suffer in its moral and political rectitude a shock of the severest kind.

COURTESY YALE UNIVERSITY NEWS BUEARU

*William Graham Sumner (1840–1910)*

Upon a little serious examination the off-hand disposal of an important question of policy by the declaration that Americans can do anything proves to be only a silly piece of bombast, and upon a little reflection we find that our hands are quite full at home of problems by the solution of which the peace and happiness of the American people could be greatly increased. The laws of nature and of human nature are just as valid for Americans as for anybody else, and if we commit acts we shall have to take consequences, just like other people. Therefore prudence demands that we look ahead to see what we are about to do, and that we gauge the means at our disposal, if we do not want to bring calamity on ourselves and our children. We see that the peculiarities of our system of government set limitations on us. We cannot do things which a great centralized monarchy could do. The very blessings and special advantages which we enjoy, as compared with others, bring disabilities with them. That is the great fundamental cause of what I have tried to show throughout this lecture, that we cannot govern dependencies consistently with our political system, and that, if we try it, the State which our fathers founded will suffer a reaction which will transform it into another empire just after the fashion of all the old ones. . . .

And yet this scheme of a republic which our fathers formed was a glorious dream which demands more than a word of respect and affection before it passes away. Indeed, it is not fair to call it a dream or even an ideal; it was a possibility which was within our reach if we had been wise enough to grasp and hold it. It was favored by our comparative isolation, or, at least, by our distance from other strong states. The men who came here were able to throw off all the trammels of tradition and established doctrine. They went out into a wilderness, it is true, but they took with them all the art, science, and literature which, up to that time, civilization had produced. They could not, it is true, strip their minds of the ideas which they had inherited, but in time, as they lived on in the new world, they sifted and selected these ideas, retaining what they chose. Of the old-world institutions also they selected and adopted what they chose and threw aside the rest. It was a grand opportunity to be thus able to strip off all the follies and errors which they had inherited, so far as they chose to do so. They had unlimited land with no feudal restrictions to hinder them in the use of it. Their idea was that they would never allow any of the social and political abuses of the old world to grow up here. There should be no manors, no barons, no ranks, no prelates, no idle classes, no paupers, no disinherited ones except the vicious. There were to be no armies except a militia, which would have no functions but those of police. They

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would have no court and no pomp; no orders, or ribbons, or decorations, or titles. They would have no public debt. They repudiated with scorn the notion that a public debt is a public blessing; if debt was incurred in war it was to be paid in peace and not entailed on posterity. There was to be no grand diplomacy, because they intended to mind their own business and not be involved in any of the intrigues to which European statesmen were accustomed. There was to be no balance of power and no "reason of state" to cost the life and happiness of citizens. . . . Our fathers would have an economical government, even if grand people called it a parsimonious one, and taxes should be no greater than were absolutely necessary to pay for such a government. The citizen was to keep all the rest of his earnings and use them as he thought best for the happiness of himself and his family; he was, above all, to be insured peace and quiet while he pursued his honest industry and obeyed the laws. No adventurous policies of conquest or ambition, such as, in the belief of our fathers, kings and nobles had forced, for their own advantage, on European states, would ever be undertaken by a free democratic republic. Therefore the citizen here would never be forced to leave his family or to give his sons to shed blood for glory and to leave widows and orphans in misery for nothing. Justice and law were to reign in the midst of simplicity, and a government which had little to do was to offer little field for ambition. In a society where industry, frugality, and prudence were honored, it was believed that the vices of wealth would never flourish.

. . . It is by virtue of these ideals that we have been "isolated," isolated in a position which the other nations of the earth have observed in silent envy; and yet there are people who are boasting of their patriotism, because they say that we have taken our place now amongst the nations of the earth by virtue of this war. My patriotism is of the kind which is outraged by the notion that the United States never was a great nation until in a petty three months' campaign it knocked to pieces a poor, decrepit, bankrupt old state like Spain. To hold such an opinion as that is to abandon all American standards, to put shame and scorn on all that our ancestors tried to build up here, and to go over to the standards of which Spain is a representative. □

## Skousen and Other Top Economists on Samuelson at the American Economic Association

The annual meetings of the American Economic Association (AEA) will convene in New York City, January 3–5, 1999.

*Freeman* columnist Mark Skousen will be chairing and participating in an AEA session titled "Fifty Years of Paul Samuelson's *Economics*" on Monday, January 4, at 8:00 a.m. in the Trianon Ballroom at the New York Hilton. Other participants will include Greg Mankiw of Harvard, David Colander of Middlebury College, Roy Ruffin and Paul Gregory of the University of Houston, Alan Blinder of Princeton University, and *Freeman* Contributing Editor Peter Boettke of George Mason University.

For complete information on registration, check AEA's Web site, www.vanderbilt.edu/AEA.

FEE will host a get-together for participants and friends Monday evening at the Hilton. For further information, contact Janette Brown at FEE—(914) 591-7230.

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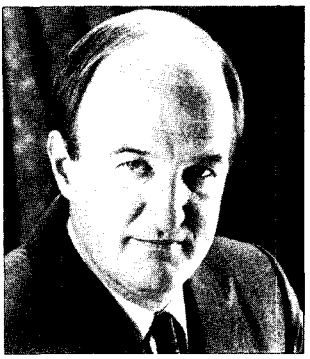

# Everything Is Cheap—and Getting Cheaper

"Capitalism is about turning luxuries into necessities."
—ANDREW CARNEGIE[1]

We all labor under the notion that the cost of living is high and rising every year. Yet, believe it or not, economic life is relatively inexpensive, and getting cheaper all the time.

This truth was reinforced recently when my friend and colleague Roger Clites told me about a little exercise he does regularly with his economics students. He first asks them whether college life is expensive or not. Most raise their hands. Then he asks the students to think of a good or service they regard as expensive. Last year one student responded, "Beer costs too much." Professor Clites assigned this student the task of making his own beer and bringing it to the next class. At the next meeting, the student confessed that it had cost him a great deal more to try to make a beer than to buy it in the store, and he still wasn't able to make it.

The point is simple but profound. Every day each of us profits handsomely from the specialization, knowledge, and abilities of millions of other individuals. Adam Smith called it the division of labor, which he regarded as the fundamental basis of capitalism. Without the work, expertise, and capital of others, our lifestyle would be profoundly barbaric. The opportunity cost of doing many tasks ourselves is so high that we must be grateful for the interactive market system we enjoy.

Economists often talk about negative externalities, such as air and water pollution caused by businesses that don't pay the full costs of production. Yet the number of positive externalities—benefits that we enjoy and that others create or pay for—are far more abundant.

Thus, compared to a situation in which each individual makes everything for himself, things are cheap. And that's not all.

## The Real Standard of Living Is Rising . . .

Recently several studies have been published concluding that the real cost of living has been falling and the standard of living rising dramatically throughout the twentieth century in the United States. Even the poorer income classes have improved materially their economic condition under free enterprise.

I highlighted the work of Stanley Lebergott, professor emeritus of economics at Wesleyan University, in my column in March 1997. His fascinating work, *Pursuing Happiness: American Consumers in the Twentieth Century* (Princeton University Press, 1993), demonstrates that virtually all American consumers have been able to make an uncertain

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and often cruel world into a pleasanter and more convenient place to live and work. A typical homestead in 1900 had no central heating, electricity, refrigeration, flush toilets, or even running water. Today even a large majority of poor families benefit from these goods and services.[2]

## . . . And the Real Cost of Living Is Declining

Now along come W. Michael Cox, an economist at the Federal Reserve Bank of Dallas, and Richard Alm, a business writer for the *Dallas Morning News*, who did an exhaustive study of the cost of basic goods and services in this century. They conclude that the real prices of housing, food, gasoline, electricity, telephone service, home appliances, clothing, and other everyday necessities have fallen significantly.

Examples: In 1919, it took two hours, 37 minutes of work to buy a three-pound chicken. Today, it's down to 14 minutes. In 1915, a three-minute long-distance telephone call from New York to San Francisco cost $20.70. Today, it's less than 50 cents, equal to two minutes of work at the average wage. In 1908, a Model T cost $850, equivalent to more than two years' wages for an average factory worker. Today, the average worker toils only about eight months to buy a Ford Taurus.

Many products have fallen dramatically in price (real, if not nominal) over the past 20 years, including computers, radios, stereos and color televisions, telephones, microwave ovens, gasoline, soft drinks, and most airline tickets. Cox and Alm do point to two exceptions: medical care and higher education. But even in these two cases, they argue that the medical care is better than it used to be, and that the higher costs of an education result in higher lifetime income.

Cox and Alm summarize, "As we enter the 21st century, Americans take for granted our ability to afford the trappings of the world's most envied middle-class lifestyle. It's the result of the decline of real prices in a dynamic economy, played out over and over."[3] (I urge you to obtain a copy of Cox and Alm's full research report, published in the 1997 Annual Report of the Federal Reserve Bank of Dallas, complete with numerous color pictures and graphs. It's an ideal teaching tool. Write the Federal Reserve Bank of Dallas, 2200 North Pearl St., Dallas, TX 75201, call 214-922-6000, or visit its Website, www.dallasfed.org.)

More and more Americans have benefited from an increase in the quantity, quality, and variety of goods and services because of the nature of the free-enterprise system: competition reduces costs, encourages new products and improved processes, and promotes quality improvements. In the labor market, increased productivity leads to higher wages, which allows workers to buy better, cheaper products.

## Today the Poor Are Rich

Cox and Alm have also written a new book with an intriguing title, *The Myth of Rich and Poor*, to be published next month by Basic Books. Their research confirms the unorthodox view that the poor in America are catching up rapidly to the lifestyle of the rich. This perspective on the real cost of living goes counter to the conventional wisdom of most economists, who assert that the gap between rich and poor has been growing in the 1980s and 1990s. Perhaps it's time for economists to consider this new approach to measuring economic lifestyles.

With cheap financing, more and more poor people can afford a fully equipped home and automobile. They can have the best seat in the house for a ball game or concert through cable television. They can travel to exotic lands or top vacation spots through discounted package fares. They can communicate with friends all over the world through cheap long-distance telephone service or e-mail. And they can find a wealth of information at their fingertips through the Internet.

The rich aren't so different after all. □

1. Quoted in Paul Johnson, *A History of the American People* (New York: HarperCollins, 1997), p. 551. I highly recommend this new American history.

2. Also see Robert Rector, "America Has the World's Richest Poor People," *Wall Street Journal* (September 24, 1998).

3. Michael Cox and Richard G. Alm, "Buying Time," *Reason* magazine, August/September 1998, p. 42. The full study is "Time Well Spent: The Declining Cost of Living in America."

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# BOOKS

**How I Found Freedom in an Unfree World**
by Harry Browne
LiamWorks • 1997 • 387 pages • $24.95

Reviewed by George C. Leef

There always have been and probably always will be a great many human beings who just won't leave others alone. History is full of them—famous tyrants and conquerors—and no doubt you know people who, on a lesser scale, insist on bossing others around. The ones who do the most damage in the United States (and other "free" countries) are the people Adam Smith described as "men of system," always brimming over with schemes for making the world more just, safe, moral, orderly, or whatever. They are certain that their schemes will "work" provided that everyone can be compelled to go along. Their visions ensnare us all.

Given the lamentable fact that those people abound, what is the person who just wants to live according to his own desires to do? Some give themselves ulcers by complaining about the way the world is. Others take action, trying to obtain greater freedom than the "men of system" deign to give them. They work to get freedom-restricting laws repealed, taxes reduced, bad officials replaced, and even governments overthrown. Occasionally, these efforts succeed. Often, they fail. In either case, fighting the battle for freedom has costs: time and property are given up; lives may be lost.

But there is a third option: action to seek freedom without confronting the oppressors. That is the message-in-chief of Harry Browne's *How I Found Freedom in an Unfree World*. First published in 1973, now reissued with a new foreword and afterword, this book is an argument in favor of finding freedom by avoiding and outwitting the authoritarians. Browne makes an interesting case.

In the tradition of Ayn Rand, Harry Browne, financial writer and, ironically, 1996 Libertarian Party presidential candidate, holds that people should strive to live their lives happily. They need not and should not sacrifice themselves for the supposed good of abstractions like "society" or "the nation." Nor should they sacrifice themselves in obedience to clichés like, "You must not be selfish." Everyone is selfish, the author notes, and the anti-selfishness injunction is merely a means some people use to pressure others to subordinate their desires to those of the "unselfish."

Returning to the fight versus flight debate, Browne suggests that most people will find more happiness if they adopt the latter strategy. The government's functionaries are not as knowledgeable or motivated as they are generally assumed to be, he maintains, and therefore individuals who want to be left alone can find freedom by steering clear of the state.

As an example, he tells about a business he once ran, where payroll taxes were becoming unbearable. Browne was contacted by an organization that wanted his financial assistance so it could wage a political fight against such taxes. Instead, Browne dissolved the business and reformulated it as a group of independent contractors cooperating for mutual gain. The effort against the payroll tax went nowhere, but Browne and associates were better off than ever.

Do you get hot under the collar because government does things that violate your rights? Browne advises you to forget about the concept of rights: "You're in the Rights Trap whenever you count on anything other than an individual's self-interest to cause him to give you what you want." People who are violating your rights aren't going to stop just because you claim to have rights against their actions. You're probably better off taking evasive action rather than unleashing a torrent of righteous rhetoric, Browne says.

But what if everyone adopted the Browneian philosophy and huddled in the shrinking domains of freedom, which might just alert the statists to them and lead to further crackdowns? Don't worry about that, our author replies. What you do won't affect others. Try to squeeze as much happiness as you can out of life, and if you conclude that doing

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so requires ducking the mailed fist of the state, go ahead.

Fair enough, but suppose that instead of armed revolt against the King, the colonists in 1775 had increased their disobedience of British laws? Browne would answer that if the people had maximized their opportunities for freedom instead of taking up arms, in time the spread between what it cost to control the colonies and what they yielded in taxes would have caused the King to abandon them in disgust. Maybe so. Or maybe the havens of freedom would have been exterminated one by one and today we would be saddled with a terribly invasive megastate. Which is where we are anyway.

A useful, thought-provoking book. □

*George Leef, president of Patrick Henry Associates: Liberty Consultants in East Lansing, Michigan, is book review editor of* The Freeman.

## More Guns, Less Crime: Understanding Crime and Gun Control Laws

by John R. Lott, Jr.

University of Chicago Press • 1998 • 232 pages • $23.00

Reviewed by Dave Kopel

Gun prohibition kills people. Guns in the hands of responsible citizens save lives and make everyone safer—even the employees of gun-control organizations. University of Chicago economist and law professor John R. Lott, Jr., proves those claims beyond a reasonable doubt in his new book, *More Guns, Less Crime: Understanding Crime and Gun Control Laws*. Single-handedly, Lott has redefined the gun-control debate in the United States.

Lott first appeared on the national firearms-policy scene in 1996 with the release of his research about concealed-carry laws. As of 1985, only a handful of states allowed citizens to legally carry firearms in the streets and other public places for protection. But now, 31 states do so; except for Vermont and Idaho (outside Boise), which require no permit at all, all of the states have some type of "shall issue" law. Under these laws, an ordinary citizen who passes a background check—and in some states, safety training—is issued a permit to carry a handgun for lawful protection.

Lott's meticulous research far surpassed all previous work on the effects of those laws. He collected data from 3,054 counties in the United States over a 15-year period and examined changes in the rates for nine different crimes, not just homicide. He also accounted for the effects of dozens of other variables, including changes in arrest rates, changes in the age and racial composition of a county's population, changes in national crime rates, and other changes in gun-control laws, including the adoption of waiting periods.

The results? Concealed-handgun license laws significantly reduce violent crime. The rates of homicide, rape, robbery, and aggravated assault fall between 5 and 8 percent. Crimes begin dropping immediately, but the full benefits of concealed-handgun laws take about three years to make themselves fully felt. The larger the percentage of the population with permits, the greater the drop in crime.

Lott also found a small but statistically significant increase in non-confrontational property crimes such as larceny. Apparently, concealed-handgun laws do not erase criminals' appetite for other people's property, but the laws do encourage the more rational criminals to acquire the property in ways that do not risk their lives.

*More Guns, Less Crime* includes additional research that Lott has conducted since 1996. For example, he found that after one state enacts a concealed-weapons law, crime rates in neighboring states without concealed-weapons laws tend to increase; criminals who live near state borders make sure to choose victims who can't protect themselves.

The best antidote to guns in the wrong hands is guns in the right hands. Lott's data show that states with concealed-handgun laws enjoy a 69 percent lower rate of mass murders in public places than states without such laws, all other things being equal.

Despite the high level of statistical sophistication in *More Guns, Less Crime,* the book is pleasant to read. Lott lays out the data in an accessible manner, building from simpler sta-

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tistical models to more complex ones. The book serves not only as a guide to firearms policy, but as a readable introduction to multivariate statistical analysis.

The most interesting part of the book, however, is the chapter in which Lott addresses the criticism of his research. In marked contrast to the anti-gun researchers funded by federal Centers for Disease Control and Prevention, Lott has made his data readily available to any and all researchers.

To the anti-gun movement, the statistics on crime deterrence are irrelevant. But anyone with an interest in rational firearms policy ought to thank John Lott for writing this excellent book. *More Guns, Less Crime* would be a fine gift for your state representative, local newspaper editor, or public library. □

*Dave Kopel is research director at the Independence Institute, a free-market think tank in Colorado (http://i2i.org). His most recent book, with Paul Blackman, is* No More Wacos: What's Wrong with Federal Law Enforcement and How to Fix It.

**Medical Warrior**

by Miguel A. Faria, Jr., M.D.

Hacienda Publishing • 1997 • 207 pages • $23.95

Reviewed by Conrad F. Meier

Warning! If you have high blood pressure, consult your physician before reading *Medical Warrior.* Dr. Miguel Faria writes with such fervor and conviction about the looming dangers of a health-care system dominated by big government, big business, and big labor that people with medical problems may wish to read something far less provocative.

In this collection of his published essays, Faria offers us a depressing look at the continuing statist re-invention of our health-care system. Readers are introduced to an impending health-care dictatorship the author describes as "corporate socialism," dominated by federal regulations and financed by billions of taxpayer dollars, but indifferent to the desires and welfare of individual patients. It is a frightful prospect.

Faria, a neurosurgeon who left Cuba as a child, sees events with the clarity that so often comes from having lived under tyranny. He writes that the proposals for health-care "reform" are "as much a threat to the preservation of the sanctity of the doctor-patient relationship, Hippocratic medicine, and patient and physician autonomy, as socialized medicine in the form of a single-payer system. . . . In fact, the failures and shortcomings of the managed care/managed competition scheme may lead in the end directly to the single-payer system, when the 'free-market' is erroneously blamed for the failure and collapse of corporatism in American medicine."

The last of Faria's essays in the book is dated July 1995, but events have validated his concerns. Beginning in 1996, with the formation of the National Health Policy Board, government intervention in medical care has proceeded apace. We have seen enactment of guaranteed issue of health insurance, price controls in the form of community rating, new unfunded health-care mandates, patient-access laws, Medicare changes that compromise seniors' freedom to buy health insurance that they desire, Medicaid changes that force citizens out of fee-for-service and into restrictive managed care, and a $40 billion federal program for children's health care. Faria (and others) warned against taking this path, but the political urge to devise highly publicized "solutions" to health-care problems that are the result of previous interventions is just too powerful. More are waiting in the wings.

Faria has not only stood against the trend toward socialized medicine but also against the medical profession's moves into peripheral social issues—for example, gun control. The American Medical Association has advocated restrictive legislation as part of its campaign against domestic violence. In the *Journal of the Medical Association of Georgia*, which he used to edit, Faria wrote that gun control was an attack on individual liberty that would do nothing to reduce violence. That temerity got him fired from the journal. His chapter "Editorial Lynching in the Deep South" recounts his battles with the Medical Association of Georgia and the *Atlanta Journal-Constitution.*

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Perhaps the greatest virtue of this book is that it reminds us of the past failings of socialistic meddling with the medical marketplace and the futility of trying more of the same. If bleeding a patient of an ounce of blood just made him weaker, it was folly to believe that bleeding him of a pint would make him better. But that is similar to what the advocates of government intervention in health care have been doing: prescribing more of the same harmful treatment. As Faria forcefully argues, freedom for patients and practitioners is the cure for the manifold illnesses of our system.

For me, the biggest problem with *Medical Warrior* is its obscurity. My research of the worldwide library database revealed only 17 copies in more than 25,000 public libraries, and the book has had little or no exposure at the major retailers. Nevertheless, it makes an important contribution to the literature documenting the demise of what was once the world's greatest health-care system. □

*Conrad F. Meier is health policy adviser for The Heartland Institute and assistant in research at the Center for Advanced Social Research at the University of Missouri-Columbia.*

**Public Policy Toward Cable Television: The Economics of Rate Controls**

by Thomas W. Hazlett and Matthew L. Spitzer

MIT Press and the AEI Press • 1997 • 253 pages • $32.00

Reviewed by Robert B. Ekelund, Jr.

In modern times no industry has been regulated, "deregulated," "re-regulated," and "re-deregulated" more than cable television. Much has been written about cable regulation, but there is no better chronicle of the most recent (post-1984) high tragicomedy of cable doings than this clear review by economists Thomas Hazlett and Matthew Spitzer. Their account is a case study in what government should not do.

Cable television was initially brought under the regulatory communications umbrella to benefit over-the-air broadcasters in the 1970s, just as motor trucks were regulated at the behest of the railroads in an earlier period of rent-seeking. Regarded initially (and possibly erroneously) as a "natural monopoly," pre-1984 cable provision was regulated by local governments through franchise-bidding arrangements. These arrangements were supposed to bring the price of cable services close to cost-based levels. Debate continues over whether this form of "regulation" had the desired impact on price. There is no debate, however, on the municipally regulated monopoly's adverse effects on quality and on investments in new programming.

The Cable Communications Policy Act of 1984 "deregulated" parts of the cable industry, largely freeing cable operators from rate regulations. The predictable result was that between 1987 (the effective date of deregulation) and 1991, there was massive and rapid growth in cable investments and in new technologies. Prices rose, but so did quantity demanded, and service quality also forged ahead. Hazlett and Spitzer demonstrate this with the best available data from the Government Accounting Office, Federal Communications Commission, and private sources. As they point out, a GAO survey showed that the cable companies responded to price incentives by "consolidating packages, adding basic channels, upgrading basic program quality (spending more per channel), marketing basic service more aggressively, and dropping premium rates." All this, of course, enhanced consumer welfare—a principle that is oft-forgotten in the whole cable regulatory mess.

Predictably, the re-regulation of prices enshrined in the (misnamed) Cable Television Consumer Protection and Competition Act harmed consumers. The authors meticulously examine the economic effects of re-regulation and conclude that the 1992 regulations were ineffective "in suppressing cable rates in quality-adjusted terms." And they go further to suggest that, while impossible to quantify, "the hidden costs that result from regulation-inspired disorder are almost certainly dominant; the real expense to society involves lost surplus from the services not sold, the program services not begun, and the infrastruc-

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ture not built." Cable regulation, in other words, has been the typical case of government's imposing huge costs in an attempt to solve a minimal or non-existent problem.

Hazlett and Spitzer follow the "economic effects" with the most entertaining discussion of the book—the political economy surrounding the passage and conduct of the 1992 Act. A prediction of who gains and who loses from the imposition of nominal price controls in 1992 would not have been hard to make, and the authors clearly explain the outcomes. Naturally, cable operators and programmers opposed passage, while TV broadcasters and telephone companies supported it. Politicians, eager to seize a consumer-oriented election issue, complied with the latter's desires. As usual, the interests of consumers counted for very little in the political calculus.

After a discussion of new forms of competition on the horizon, Hazlett and Spitzer end with this strong conclusion: "unregulated cable monopoly works better for consumers than regulated monopoly even in the face of anticompetitive barriers (yielding substantial market power) and during relatively brief adjustment periods."

This excellent study is strongly recommended as a superior analysis of regulatory effects in the cable market. When rent-seeking coalitions become strong enough to effectively demand new forms of regulation, in cable or any other market, politicians will be ever eager to supply them. Greed is alive and well in D.C., Gotham, and the provinces, and there is no end in sight for the political wrangling over cable TV. But if economists view their role as devising policies to achieve normative goals—such as eliminating dead-weight regulatory losses—perhaps they should become better "journalists" for the intelligent layman. The tale of the effects of cable regulation by Hazlett and Spitzer could and should serve as a model. □

*Robert Ekelund is Lowder Eminent Scholar in the department of economics at Auburn University, Alabama.*

**The Ethics of Liberty**

by Murray N. Rothbard, with a new introduction by Hans-Hermann Hoppe

New York University Press • 1998 • xliii + 308 pages, including bibliography and index • $25.00

Reviewed by Sheldon Richman

The late Murray Rothbard was a libertarian scholar and advocate with an incredibly wide range of interests. His books covered technical economics in the Austrian tradition (*Man, Economy, and State; Power and Market*), economic history (*America's Great Depression*, *The Panic of 1819*), the history of economic thought (*Economic Thought Before Adam Smith*, *Classical Economics*), history (the multivolume *Conceived in Liberty)*, and political philosophy, or what he called political ethics.

What underlay all his work was a passion for liberty and a fervor for building a unified science dedicated to its study. Rothbard took obvious delight in exploring the foundations and ramifications of liberty across disciplines. For him, individual liberty was a single gem with many facets: economic, historical, sociological, political-ethical. A scholar can set his sights on one or another facet, but for Rothbard, something is lost if one neglects the whole gem.

*The Ethics of Liberty*, first published in 1982, is the summation of Rothbard's political philosophy. We are fortunate it has been rescued from the limbo of out-of-print books by New York University Press. The book is unchanged, except for the addition of a new introduction by Hans-Hermann Hoppe, a protégé of Rothbard's.

In his search for the purest political philosophy based on "self-ownership," Rothbard was nothing if not provocative. His ideas about liberty, property, and the state, grounded in reason and Thomistic natural law, led him to advocate "anarcho-capitalism," for he could not square a coercive, monopoly government with the individual's natural right to liberty and legitimately acquired property. Even readers who are left unpersuaded by Rothbard's position on this or other matters

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will find the journey challenging.

Rothbard's scope is breathtaking. He examines the nature of exchange and aggression, the state, war, children's rights, free speech, lifeboat situations, animal rights, contracts, utilitarian free-market economics, and the political philosophies of Isaiah Berlin, F.A. Hayek, and Robert Nozick. In each chapter, something will make you stop and think hard before moving on.

Here is a sampling of some of the more provocative fare:

On punishment for criminals: "Retribution is in bad repute among philosophers, who generally dismiss the concept quickly as 'primitive' or 'barbaric'. . . . But simply to dismiss a concept as 'barbaric' can hardly suffice; after all, it is possible that in this case, the 'barbarians' hit on a concept that was superior to the more modern creeds."

On children's rights: "But when can we say that this parental trustee jurisdiction over children shall come to an end? . . . The clue to the solution of this thorny question lies in the parental property rights in their home. For the child has his *full* rights of self-ownership *when he demonstrates that he has them in nature*—in short, when he leaves or 'runs away' from home. Regardless of his age, we must grant to every child the absolute right to run away, and to find new foster parents who will voluntarily adopt him, or to try to exist on his own." (Emphasis in the original.)

On defamation and the property right in one's reputation: "Jones's 'reputation' is purely a function of the subjective values and beliefs about him contained in the minds *of other people*. But since these are beliefs in the minds of others, Jones can in no way legitimately own or control them. Jones can have no property right in the beliefs and minds of other people." (Emphasis in the original.)

On war: "War, then, even a just defensive war, is only proper when the exercise of violence is rigorously limited to the individual criminals themselves. We may judge for ourselves how many wars or conflicts in history have met this criterion."

A brief review cannot do justice to a work so brimming with insights about the fundamentals of a free society. Now that *The Ethics of Liberty* is again available, students of freedom will want to get their teeth into it. □

*Sheldon Richman is editor of* The Freeman

## Kephart Wins Szasz Award

Robert D. Kephart, a pioneering libertarian philanthropist and publisher, has won the eighth annual Thomas S. Szasz Award for Outstanding Contributions to the Cause of Civil Liberties. Kephart was the founder of *Books for Libertarians* and *Libertarian Review*, two important publications that influenced thousands of young people who went on to become advocates for individual liberty. He has also been a source of support and advice for countless organizations dedicated to freedom. Kephart has taken particular interest in people serving prison sentences for victimless crimes.

The award was created to honor the work of Thomas Szasz, who has relentlessly defended individual rights, especially against the threat from "the therapeutic state"—the alliance of medicine and state.

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Current Issues

# The Tyranny of the Proper

One strain of the vampire legend holds that the bloodsucking fiends can enter people's homes only with their victims' consent. Similarly, government can enter an area only if its citizens allow it. Charity, for instance, was once no province of government. Neither was medical care. Nor were health and manners. But today people are carelessly welcoming the fiend, seeking legislative prohibition of activities they consider unhealthy and unmannerly.

The most far-reaching example is California's ban on smoking in bars, which completes its total ban on smoking in public areas. Most of the activities under legislative fire are things—smoking, drinking, eating fatty foods—that bring many people pleasure but that many other people consider rude or unhealthy. At one time people ignored activities they disliked and avoided places (like bars) where they took place. Nowadays the easily offended insist that the government ensure that no building or gathering contains whatever social ill offends them.

Citizens in a free society, however, should never confuse their right to disdain rudeness with the government's ability to outlaw it. Our rights protect the boorish along with unboorish, the healthy with the unhealthy. Those rights exist for everyone or not at all. If society outlaws smoking, then it takes away the right to smoke. What it leaves is not, however, the right not to smoke—that would imply a choice. When a government makes the choice, then what it grants those who would, in a free society, choose not to smoke is not a right but a convenience.

Many people, of course, would prefer that fewer of their fellow citizens smoked, drank, wore perfume, played music loud, ran air conditioners, or read *Huckleberry Finn*. And they would use government to end those activities and enforce what they deem proper. If we wish to be free, however, we should work to keep the government out of trivial matters. We would do better to remember the words of George Santayana: "A man may not always eat and drink what is good for him; but it is better for him and less ignominious to die of the gout freely than to have a censor officially appointed over his diet, who after all could not render him immortal."

Santayana has pinpointed one problem with the health despots' mantra that "If you do x [whether x is smoke, drink, or partake of Chicken McNuggets], you will die." Even if you abstain, you will still die.

## Changing Fashions

Another problem with this tyranny of the proper is the transience of what society considers proper. Think of how much and how often the "proper" fashion and dress have changed in this century. Even the proper body shape has changed, in just a matter of decades. Compare Jayne Mansfield and Mari-

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lyn Monroe to Kate Moss and Uma Thurman. Men's fashion has not been immune either: for example, no longer are hats worn as business attire.

Society's tastes in food, music, sports, and other things are equally transient. So, too, is what society deems proper and improper. For this reason alone, it is foolish for any generation to seek legislation to codify what it considers proper. Doing so imposes on future generations the tastes of their predecessors.

For instance, society today considers a low-fat diet to be proper because fat is seen as related to heart disease and early death. The marketplace quickly responded to society's wishes with a glut of low-fat or no-fat food products. Despite that market response, some people consider personal health something the government should be involved with anyway. That's not a new idea; we already have "sin taxes" on such "unhealthy" items as beer, wine, and cigarettes. These people would have sin taxes applied to other unhealthy consumables—"Twinkies," for example.

Others either want unhealthy items banned altogether or seek to punish their producers for providing them to the public. Their targets are not limited to tobacco and beer, however. As Doug Bandow reported last August in *Investor's Business Daily*, the health despots are also going after fast-food restaurants, chemical manufacturers, gun makers, caffeine, meat, and even milk.

## Unhealthy Restrictions

Aside from being priggishly autocratic, dictating notions of health to all following generations may actually be unhealthy. Against centuries of warnings about the dangers of alcohol, recent studies have found that for many people, moderate consumption of alcohol can be more healthy than abstinence. Another recent study suggests that a high-fat diet reduces the risks of stroke for men ("Study Suggests Eating Saturated Fat Might Ward Off Strokes in Men," *Detroit Free Press*, Dec. 24, 1997). And smoking may lower the cancer risk for some women (AP wire story, May 20, 1998).

Thus, uncertainty over what is healthy or proper is another important reason to keep government out of these arenas. Let people decide for themselves what they want, and let science help them choose. If enough people decide a certain activity is undesirable, let them discourage it not by legislation but by peer pressure.

Peer pressure is a powerful enough societal impetus to enforce the "proper." Nevertheless, a free society allows those who prefer to resist that pressure to do so. In issues of public taste, coercion is the wrong tool for enforcing propriety. It is like using a baseball bat to play tennis.

There is, however, an even greater reason government should stay out of the realm of health and manners: the erosion of freedom. Just because some people make what most people consider to be the wrong choices does not mean government should do the choosing. Allowing foolish choices is far wiser than sacrificing the freedom to choose. As Gandhi said, "Freedom is not worth having if it does not connote freedom to err."

To revise John Donne, no freedom is an island, entire of itself. Every freedom is a part of the main. If a freedom is taken away, society is the less. Every freedom's death diminishes us all. □

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*Prepared by Beth A. Hoffman and the editorial staff of* The Freeman

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